FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

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PART 5

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

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FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

THURSDAY, APRIL 10, 1986.

HOUSE APPROPRIATIONS COMMITTEE

WITNESSES

HONORABLE BYRON L. DORGAN, REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA AT LARGE

DOUG NORELL

Mr. OBEY. If we can start, I apologize for being late. We have a supplemental up and there are a few things that we have to try to tie down.

This morning we will be hearing public witnesses straight through, no break at noon, trying to finish by 2:30 with all public witnesses on the foreign assistance bill for 1987.

We are going to be interrupted by a series of roll calls throughout the day, probably calling around noon on gun control, and so that will destroy our schedule. Which means, that to try to move things along, I am going to strenuously resist asking questions or making comments on anything anybody says because otherwise somebody is going to wind up getting squeezed at the end.

We have set aside ten minutes apiece for each individual group to appear. That is supposed to include time allotted for questions so if you want, in the unlikely event that we will be inclined to ask questions, if you want to save any time for them, I suggest you take less than ten minutes in your presentation.

I know what most witnesses are planning to testify today. Our first witness is the Honorable Byron Dorgan from North Dakota. Byron, I have no idea what you're going to testify about, so why do you not proceed?

Mr. DORGAN. All right. Let us hope you are pleasantly surprised.

Mr. Chairman, people have generally viewed North Dakota politicians as neo-isolationists over the last 100 years or so. I come to you today saying that I believe in foreign aid. I believe it is a very important part of what we do around here.

But I am embarrassed, alarmed, and think what has happened in recent years is dangerous for this country.

I am a very strong supporter for some very important foreign aid programs. I serve on, in addition to the Ways and Means Committee, the Select Committee on Hunger. And we have got great needs around this world that largely are unmet. And that portion of our budget, in recent years, especially since this Administration has taken office, has suffered and other portions of the foreign assistance budgets have been increased rather radically.

We really have become the arms peddler for the world, much to my chagrin and much to the embarrassment, I think, of a number of people who think like I do in Congress. Let me give you an example. Food for Peace is down 6 percent for FY '87 in the budget request. It is off 5 percent from '81 to '87. Military assistance program up 33 percent in this budget request alone, for a total of 800 percent growth since 1981. Foreign military sales credits forgiven up 520 percent since 1981.

Funding for IFAD, on the other hand, is going to be borrowed from another account.

We have got some very important things, I think, we have to do around the world that we are not doing enough of and we have got some things that we are doing that should not be done.

And the reason I asked to present a statement to your subcommittee this morning is to give you some information in trends in foreign aids, which you are probably well familiar with, but at least trends interpreted by me.

I would like, without objection, to have my entire statement be made a part of the record today.

Mr. OBEY. Sure.

Mr. DORGAN. There are graphs at the end of it that I would also like to have included.

I do not intend to spend much time on the Philippines except to say anyone who has watched the news knows what we are uncovering with respect to the Philippines. I have suggested, and I think it would be wise for you to consider, supporting some sort of special inquiry with respect to the Philippine experience.

It is not very often you open up the belly of a dictatorship to find out what is there and try and analyze what kind of cash flow, that came from our country in the form of foreign assistance, resulted in what sort of spending. We now have an opportunity to trail that money.

And maybe we can learn some lessons from that. There are other similar governments around the world that American taxpayers money moves to. Maybe we can learn some things about how we formulate foreign aid, from the Marcos experience.

I would like to mention—since I think that it is in your jurisdiction—some work that I have done on the IMF and the World Bank, institutions which I support, which I think are important in this country and around the world, but institutions which need—I think—some management and some oversight.

I have gotten some information from both institutions and will give you some examples. The reason it came to my attention was some folks who used to work at the IMF came to me and said do you have any idea what is going on over there? These are institutions designed to move money around, to help the poorest of the poor in the world, and to help governments in developing countries.

And 40 percent of the IMF employees make American salaries of a mid-point of $70,000 or greater. That is 40 percent of the work force with American salaries of $70,000 or greater. They get four and five percent home loans, four percent education loans, fringe benefits like it is hard for us to believe.

And I think we ought to take a look at some of that. And I have done some work on it and will be glad to furnish it to the Committee.

I would like to emphasize especially a couple of programs that I would hope, in your approaches in the future, could receive some very special attention. One is IFAD and this country's contribution to IFAD. IFAD is a very important program that moves money to other countries, to help them produce their own food.

A ton of food that is produced through the efforts of IFAD in that country, costs about one-half of a ton of food sent by our country to them. It is a very important program, particularly for the sub-Sahara region of Africa, but all around the world where you have the poorest of the poor and you have developing countries with a serious need for that kind of help.

The second is the Child Survival Program. For literally pennies a day, we can save millions of children who need to be vaccinated, need to be immunized against diseases for which vaccine is readily available. And we need to get more aggressively involved with other countries to provide that sort of assistance.

So, in summary, I think that the best formulation of foreign aid are things that this country can provide that the Soviets cannot. For example, I was looking at your map. I have been all over Central America and the one thing that struck me there is that you ought to start competing where you are destined to win and your opponent is destined to lose.

People in Central America are terribly hungry, and impoverished. And we produce so much food, it comes out of the grain bins in Wisconsin and North Dakota. We do not know what to do with it. And the Soviets cannot feed themselves, they have to go out and buy food.

That region of the country, the sub-Sahara region of Africa, and other parts of the world, desperately need that food. And I would hope we could formulate foreign aid more in those terms than the kind of terms recommended by this President.

This President, I think, proposes a type of foreign aid that not only radically increases it, but increases it in all the wrong areas. And I think that weakens rather than strengthens our resolve to help others around the world.

I do support and have supported, for example, aid to Israel and aid to other very important democracies that we feel need security assistance. I am not saying all security assistance is bad. I am saying the President's approach is almost bankrupt, with respect to how he has formulated this foreign aid program.

And I hope you will, as you have in the past, attempt to turn that to a more constructive direction.

I have covered a number of other things, but I would like—because of your need to be brief—I would like to just submit the entire statement for the record.

[The prepared statement of the Honorable Byron Dorgan follows:]

TESTIMONY OF

HONORABLE BYRON L. DORGAN

APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS

APRIL 10, 1986

MR. CHAIRMAN:

I appreciate the opportunity to testify today on the right kind of foreign aid. I know that you have wrestled with this tiger -- often times by yourself -- so I know that my remarks do not fall on deaf ears. I want to commend you and members of this Subcommittee for trying to develop a foreign aid package which advances our legitimate interests and also meets the pressing needs of the developing world.

This can be a thankless task. Yet, it's a job which must be done if we are to craft a foreign policy that makes sense. I want to try to illustrate some severe blunders in our foreign assistance program and also to highlight what kind of aid really works for us and its recipients.

A MESS IN MANILLA

Rarely do we have a chance to look into the belly of a dictatorship to see how our aid went sour. The collapse of the Marcos regime affords us a great chance to see how our aid can be wasted and squandered, if we don't link it to sound policy and if we don't provide the right kind of aid.

It now seems likely that money which we sent to help poor Filipinos was stolen to buy Gucci shoes, fur coats, gold bullion, stocks, bonds, and Manhattan real estate. Over the past 20 years we have poured in nearly $2 billion in aid to the Philippines -- about half of it as military aid.

But did this buy us a more democratic government in a key Pacific ally? Did this ensure a long-term lease for vital U.S. military bases in the Philippines? Did this aid help its people shake loose from staggering external debt and a stagnant economy? We know that the answer to all these questions is NO!

We don't yet know all the reasons why things went so awry. We do know that we waited too long to press for democratic reforms. We also waited too long to monitor carefully how our aid was being used. We further assumed naively that massive amounts of military aid could prop up a dictatorship with clay feet.

In the future, we can do better. We can insist that policy and aid are linked together. We can press for tougher oversight and audits on aid. We can change the mix of aid to developing nations, so that we place greater emphasis on food for the hungry, medicine for the sick, teachers for the illiterate, and technical help for self-sufficiency.

Unfortunately, the Administration is proposing the same tired and fruitless program for FY 87 to the Philippines as before. The White House wants to double military aid, virtually drop food aid, and freeze economic aid. I hope that the rise of the Aquino government will realign our priorities and urge this Subcommittee to grab the bull by the horns if President Reagan does not show some leadership.

I would also encourage this Subcommittee to support appropriate efforts to establish a commission to X-ray our aid to the Phillipines. We need to find out how that aid was abused and where it ended up. The Philippine Fraud Commission and our own Foreign Affairs Committee simply don't have the resources to find out how President Marcos, with a $5,400 a year salary, managed to spirit away an estimated $5 to $10 billion into foreign real estate, stocks, and bank accounts. This is no small change; it equals the total foreign debt of the Philippines in 1983.

The American taxpayers and the Philippine people deserve an answer to these questions. I have urged the President to appoint a Special Commission to investigate the Marcos money ring. But I hope your Subcommittee, Mr. Chairman, will consider your own initiatives.

TRENDS IN FOREIGN AID

I cite the Philippines as a specific case of a lamentable infatuation with military aid as a security sweetheart. The appended charts of the Congressional Research Service show that this is no aberration in recent years.

You will see that between FY 1981 and FY 1987 we have seen a sizable 62% growth in foreign aid, including a 12% proposed increase for FY 1987 alone. I want to say that I am puzzled at best to understand how the President can propose this when he simultaneously wants to cut all domestic programs by 6%. If getting our budget house in order is one of the best ways to help developing nations, by reducing their debt service costs through lower interest rates, why not start with with restraint in foreign aid? **I believe we can freeze total aid at the FY 1986 level, or even make cuts, and still meet our obligations.**

I also fail to see the budget sense or foreign policy value in a 100% plus growth in military aid, including an 800% growth in the Military Assistance Program. The growth in the MAP account makes the Pentagon's big spenders look like country bumpkins. But the Reagan Administration sees this account as the salvation of governments like Marcos' Philippines. Well, it did not work in Manilla and it's not going to work in Port-au-Prince, Haiti -- despite the White House plans to pump more riot control equipment and military aid into a country with the lowest literacy and worst hunger problems in the Western Hemisphere.

What the people in the Philippines, the Caribbean, Africa, and Central America need is a fighting chance -- not more chances to fight. They need to arm themselves with literacy, self-sufficiency, and health to defeat their real enemies -- the scourges of poverty, hunger, and disease. These are the carrion on which Marxism feeds. I only hope we start funneling our aid into these programs with tough controls, instead of into security aid for dictators which ends up in Swiss bank accounts and Imelda Marcos' wardrobe closet.

I won't take time to tackle the tough issue of aid to the contras of Nicaragua to finance our proxy war to overthrow an admittedly distasteful and repugnant Sandinista regime. Let me simply say that we are threatened in Central America -- in Wisconsin, North Dakota, Kansas, and Iowa. We are being threatened with the loss of our family farms and small towns.

So I ask the President to spend some time helping our Central America, the Central America at home, before we send down machine guns and rockets to a band of thugs and murderers. I ask this Appropriations Subcommittee to help straighten out our budget priorities so that we preserve genuine security with a strong economy, a defense that works, and the right kind of foreign aid.

HIGH ON THE HOG

I also would like to underscore my concern about the salaries and perks of employees of the International Monetary Fund and the World Bank. Congress can exercise some control over what I consider a misuse of foreign aid by restraining the U.S. contribution to these development institutions.

Salaries at the World Bank and IMF remind me of James Michener's description of the fictional missionaries in Hawaii: "They came to do good, but ended up doing very well." Much the same could be said of the international civil servants who staff the Bank and IMF.

For example, where can you find a job in the U.S. Government that pays a $130,000 a year salary and offers 4-5% loans for home purchases and 4% loans for children's education? You can at the IMF. If you are an American IMF employee, you'll find that 40% of all employees earn a pay grade with a midpoint of at least $70,000. Moreover, you and everyone else garners what amounts to a tax-free salary. Nice work -- if you can get it!

I wonder how we can square the Wall Street salaries and benefits of IMF staff with the pressing needs of nations too poor to even collect accurate employment and national income data. Shaving 10% off the IMF personnel budget, for example, would not in itself save the IMF from an onslaught of Third World debt. But the savings would have been large enough to cover the 1985 overall IMF loss.

I would like to see some belt-tightening around the middle of the IMF and World Bank -- not just around the necks of dairy farmers and wheat growers. If we can keep lining the pockets of international aid elites, why can't we afford to let family farmers earn enough to pay their bills?

I plan to ask GAO to look into the salary and benefit packages at these two financial institutions. I want to know if these salaries are out of line with comparable organizations, our own budget goals, and the stated intentions of the Treasury and State Departments.

I have no interest in undermining the legitimate work of these needed agencies. But I believe that they can only help bridge the development gap if they enjoy the solid support of donor governments. I simply think we need to make sure in Congress that the World Bank and IMF are on the right track.

ON THE RIGHT TRACK

Fortunately, we can also point to some real success stories in foreign aid. We do have a responsibility to help our poorer neighbors and to advance the development of younger nations. The question is what kind of aid is the right kind.

For the most part, I think that it is food aid, health aid, and development. Judicious amounts of security aid can undoubtedly help in the right circumstances; but military aid will not do the job if it is used as a surrogate for building genuine security.

For example, our recent provision of emergency food aid to Africa points to the best in the American tradition of helping others. Without timely delivery of American grain and dairy products thousands or millions more Africans would have perished in the recent famine.

Nor has the need for food aid evaporated, despite the good news of better harvests in Africa. Some 69 food deficit countries will need to import 10 million tons of cereals, beyond commercial import levels in the next year, just to maintain consumption at present sub-standard levels. To meet adequate nutritional levels, they would have to obtain donations of twice that level, according to USDA's 1986 report on World Food Needs and Availabilities. So I don't support the Administration's plan to cut Food for Peace by 6% next year.

Food for Peace builds bridges which last with aid which brings life. When provided creatively in emergency feeding stations or as part of food-for-work projects, such aid can lay the groundwork for survival and longer-term development. As one commentator observed, "People don't eat in the future, they eat every day."

INVESTING IN IFAD

Naturally, the wrong kind of food aid can create a deadly addiction to outside help and sap the nerve of self-sufficient food production. And this need not happen with well-run programs such as we find with CARE, Catholic Relief Services, Lutheran World Relief and others.

But inevitably, the need for people to feed themselves surfaces. It costs $400 to ship a ton of emergency food aid, but only $200 for the International Fund for Agricultural Development to assist individual farmers in improving yields by a ton every year for a lifetime.

In my view, the International Fund for Afgricultural Development provides one of the surest, leanest, and most progressive ways to invest in the self-sufficiency of developing nations. IFAD has a proven record of efficiently promoting self-sufficiency, as shown in evaluations by AID.

Most notable of IFAD's successes is its ability to manage and leverage limited resources. It has financed some 152 projects in 83 countries at a cost of about $8.2 billion through early 1985. Yet, its direct contribution was only $1.9 billion. Even more remarkably, IFAD has achieved a loan repayment rate of up to 99% -- the envy of any Wall Street banker -- with a staff of 100 and very low overhead.

This is also is the right kind of aid. I strongly urge the Subcommittee to fund the regular replenishment for IFAD's next three years -- at about $30 million a year -- and to willingly consider added funds for a Special Africa Fund.

SAVING LIVES FOR PENNIES

Finally, I would like to urge the Subcommittee's support for the purpose of H.R. 3894, which would make available an added $50 million beyond the FY 1986 level for the Child Survival Program of AID.

Every year about 3 1/2 million children die from six easily preventable diseases. These tragedies need not occur. We have on hand the vaccines to prevent these diseases, but only a fraction of the world's children are immunized. To reach the goal of universal immunization by 1990, the United States will have to join other nations in contributing as generously as possible to this world-wide effort.

It makes good sense. For every $1 invested in immunization, $14 in health costs will be saved. And a coordinated child Survival Program can save lives, too. UNICEF estimates that the rate of 40,000 child deaths per day could be cut in half by advancing a simple, four-point program of proven health techniques for literally pennies per child.

In conclusion, Mr. Chairman crafting the right kind of aid is no small task. But it's both possible and workable. I have attempted to shine the caution spotlight on some kinds of aid which don't work, like our runaway pre-occupation with aid that explodes. I have also sought to showcase the right kind of aid: Food for Peace, the International Fund for Agricultural Development, and the Child Survival Program. We can do this within budget limits, if we put some clamps on security aid.

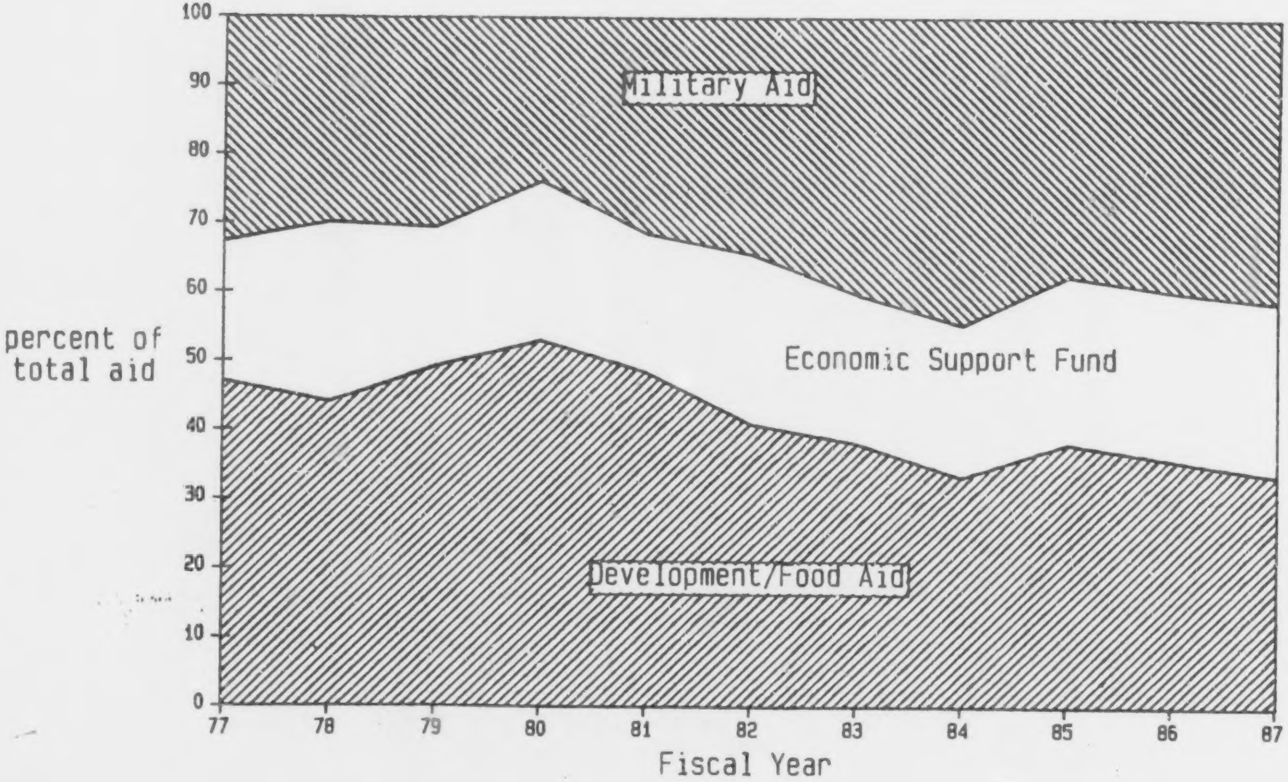
Thank you for your attention and I gladly would try to answer any questions which you and members of the Subcommittee may have.

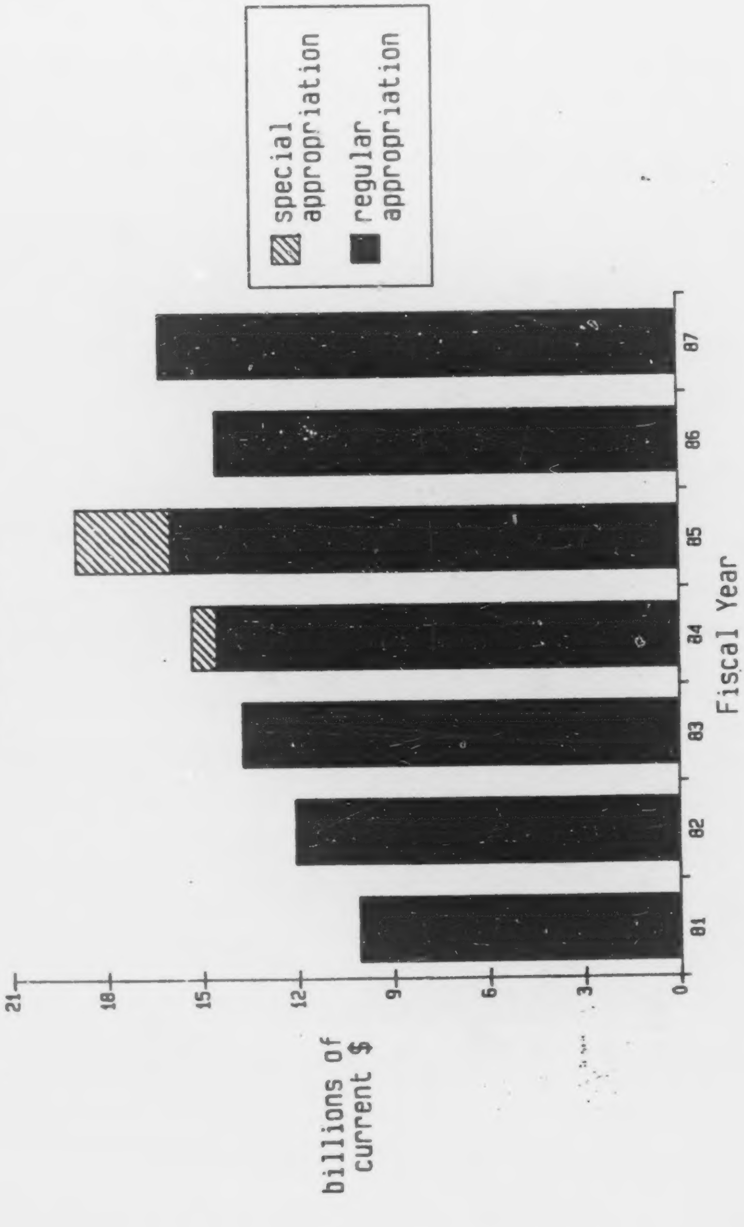
x x x

FOREIGN ASSISTANCE APPROPRIATIONS: FY 1981, 1986, 1987
(millions of $)

	FY 1981	FY 1986 (post GRH)	FY 1987 (request)	FY87 +/- FY86 ($)	FY87 +/- FY86 (%)	FY87 +/- FY81 ($)	FY87 +/- FY81 (%)
Multilateral Aid:							
Int Bank for Recon & Dev	$32.8	$105.0	$182.8	$77.8	74.1%	$150.0	457.3%
Int Development Assc	$520.0	$669.9	$750.0	$80.1	12.0%	$230.0	44.2%
IDA African Facility	---	$71.8	---	$-71.8	---	$.0	---
Int Finance Corp	$.0	$27.8	$35.0	$7.2	25.7%	$35.0	---
Inter-American Dev Bank	$251.5	$85.8	$143.5	$57.7	67.2%	$-108.0	-42.9%
Asian Development Bank	$139.6	$107.1	$143.2	$36.1	33.7%	$3.6	2.6%
African Development Fund	$41.7	$59.6	$75.0	$15.4	25.8%	$33.3	79.9%
African Development Bank	$18.0	$15.5	$18.0	$2.5	16.1%	$.0	.0%
Mult Invest Guarantee Ag	---	---	$44.4	$44.4	---	$44.4	---
subtotal, Int Financial Inst	$1,003.6	$1,142.6	$1,391.9	$249.3	21.8%	$388.3	38.7%
Int Organizations & Programs	$210.4	$237.2	$186.0	$-51.2	-21.6%	$-24.4	-11.6%
Int Fund for Agricultural Dev	$.0	$28.7	---	$-28.7	---	$.0	---
TOTAL, MULTILATERAL AID	$1,214.0	$1,408.5	$1,577.9	$169.4	12.0%	$363.9	30.0%
Bilateral Economic Aid:							
Agriculture	$635.0	$669.9	$709.9	$40.0	6.0%	$74.9	11.8%
Population	$190.0	$239.3	$250.0	$10.8	4.5%	$60.0	31.6%
Health	$135.0	$192.2	$150.8	$-41.4	-21.5%	$15.8	11.7%
Child Survival Fund	---	$23.9	$25.0	$1.1	4.5%	$25.0	---
Education	$101.0	$162.7	$179.8	$17.1	10.5%	$78.8	78.0%
Sel Dev Act/Science & Tech	$123.9	$177.1	$231.5	$54.4	30.7%	$107.6	86.8%
subtotal, development accounts	$1,184.9	$1,465.1	$1,547.0	$81.9	5.6%	$362.1	30.6%
Amer Schools/Hospitals Abroad	$20.0	$33.5	$10.0	$-23.5	-70.1%	$-10.0	-50.0%
International Disaster Asst	$73.0	$21.5	$25.0	$3.5	16.1%	$-48.0	-65.8%
Sahel Development Program	$91.0	$77.0	$80.0	$3.0	3.8%	$-11.0	-12.1%
Foreign Service Retirement	$27.9	$41.2	$45.5	$4.3	10.3%	$17.6	63.1%
AID Deob/Reob Authority	---	$4.8	---	$-4.8	---	$.0	---
AID Operating Expenses	$300.6	$360.2	$388.9	$28.7	8.0%	$88.3	29.4%
AID Inspector General Op Exp	---	$20.2	$21.8	$1.6	8.0%	$21.8	---
Trade and Development Program	---	$18.1	$18.0	$.1	.6%	$18.0	---
Housing & Investment Gurantees	---	---	$10.0	$10.0	---	$10.0	---
African Development Foundation	($0.5)	$3.7	$6.5	$2.8	74.2%	$6.5	---
Inter-American Foundation	$15.8	$11.5	$10.8	$-.7	-6.0%	$-5.0	-31.6%
Peace Corps	$105.5	$124.4	$126.2	$1.8	1.4%	$20.7	19.6%
Int Narcotics Control Program	$36.0	$55.0	$65.4	$10.4	18.8%	$29.4	81.7%
Migration and Refugee Asst	$490.7	$324.3	$347.5	$23.2	7.1%	$-143.2	-29.2%
Emerg Migration & Refugee Fund	---	---	$25.0	$25.0	---	$25.0	---
subtotal, bilateral development	$2,345.4	$2,560.6	$2,727.6	$167.0	6.5%	$382.2	16.3%
PL 480 (food aid)	$1,229.0	$1,243.3	$1,164.4	$-78.9	-6.3%	$-64.6	-5.3%
subtotal, bilat development/food		$3,804.0	$3,89[illegible].0	$88.0	2.3%		
Economic Support Fund	$2,104.5	$3,540.9	$4,093.8	$552.9	15.6%	$1,989.3	94.5%
Anti-Terrorism Program	---	$7.1	$9.8	$2.7	38.4%	$9.8	---
Peacekeeping Operations	$25.0	$32.5	$39.0	$6.5	19.9%	$14.0	56.0%
Nicaragua Contra Aid	---	---	---	---	---	---	---
TOTAL, BILATERAL ECONOMIC AID	$5,703.9	$7,384.5	$8,034.6	$650.1	8.8%	$2,330.7	40.9%
Military Aid:							
Military Asst Program (MAP)	$110.2	$748.4	$996.5	$248.1	33.2%	$886.3	804.3%
Int Military Ed & Training (IMET)	$28.4	$52.2	$68.8	$16.6	31.9%	$40.4	142.3%
Foreign Military Sales Credits	$3,046.2	$4,966.8	$5,661.0	$694.2	14.0%	$2,614.8	85.8%
(FMS Forgiven Credits)	($500.0)	($2,966.7)	($3,100.0)	($133.3)	(4.3%)	($2,600.0)	(520.0%)
(FMS Market/Concessional Loans)	($2,546.2)	($2,000.1)	($2,561.0)	($560.9)	(28.0%)	($14.8)	(0.6%)
FMS Guarantee Reserve	---	---	---	---	---	---	---
TOTAL, MILITARY AID	$3,184.8	$5,767.4	$6,726.3	$958.9	16.6%	$3,541.5	111.2%
TOTAL, FOREIGN ASSISTANCE APP	$10,102.7	$14,560.4	$16,338.8	$1,778.4	12.2%	$6,236.1	61.7%

Composition of U.S. Foreign Aid
Appropriations
1977 - 1987





Foreign Aid Appropriations: 1981 - 1987
Current Dollars

Mr. OBEY. Thank you. Mr. McHugh?

Mr. MCHUGH. Thank you very much, Mr. Chairman.

Byron, a very thoughtful statement and, as members who serve on this subcommittee and wrestle with foreign aid all the time, we appreciate the fact that there are members like you who are informed and aggressive in support of the right kinds of initiatives. And I share your priorities, as you know.

I was reading a book recently by Chechenko, Breaking with Moscow, and regardless of what one might think of him, one of the things that he said in the book was that the United States and the Soviet Union can compete fairly effectively, one with another, on the military side. But where the United States really has an advantage is on the economic and political side. And from his perspective, we do not fully utilize the advantages that we have over the Soviet Union.

I think that is one of the points that you made at the end of your statement, which is certainly something we should keep in mind. The Soviets cannot compete with us economically or in terms of political message, if we emphasize that as part of our foreign policy more than we have.

And I think that is something that we will try to keep in mind as we write our bill. So thank you for your statement.

Mr. DORGAN. Mr. Chairman, let me give you two 30-second impressions. I met an 11 year old kid up in the mountains when I was traveling with an American gun and uniform and bayonet. And I was ashamed of that.

And I also met a 65 year old fellow in a refuge camp once, who asked me to come into his tent. And without teeth he smiled a big smile because he was learning how to read, partly through aid given by the American taxpayers.

And the impressions you get from giving the right kind of help and the warmth that that develops among people around the world are lasting impressions. And the embarrassments you suffer from seeing the wrong kind of help, the Marcos stories, and other sort of failures that exist in the hills all around this world, are lasting failures for this country.

And you have the opportunity, and I know you have worked hard to try and reformulate that. I wish you well.

Mr. OBEY. I would just respond by saying I think it is incredible that grant military assistance has increased by 700 percent since 1980 whereas some of the humanitarian programs have not kept up the pace of inflation.

I will also say, however, that none of these programs is going to come anywhere near what they got last year, as long as there is not an overall grand compromise between the Congress and the White House. I am not Mandrake the Magician. I do not have any magic wands in either pocket. And there is not a snowball's chance in you know where, that we can pass a foreign aid bill anywhere approaching last year's level, unless we have a compromise on spending and on revenue.

Mr. DORGAN. If I might make one other comment. During the deliberations on the foreign aid bill, the last time on the floor, as you know I offered an amendment on the MAP funds and it lost by one vote. And there is a great deal of feeling out on the floor of the

House, I think, to be more discriminating in the way we use that military assistance program and to stop being the arms merchant of the world, through MAP and through other programs.

Mr. OBEY. Thank you, very much.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

HONORABLE JAMES L. OBERSTAR, REPRESENTATIVE IN CONGRESS FROM THE EIGHTH DISTRICT OF THE STATE OF MINNESOTA

Mr. OBEY. Next, we have the Honorable James Oberstar, my neighbor across the bridge, Superior Duluth.

Mr. OBERSTAR. Mr. Chairman, thank you very much for making this time available. Perhaps to your relief and perhaps to your dismay, I don't have a prepared statement to insert in the record or for you to read over. I do have some notes, mostly written in French and Creole from my trip to Haiti. I will try to keep it all in English.

Unfortunately, I am here alone. The other members of the delegation of our visit to Haiti were unable for one reason or another to be here this morning. The purpose of this testimony is to give you a brief review of our findings of a five-member bipartisan delegation that visited Haiti last week.

Mr. Fauntroy, Chairman of the delegation, spent the entire week and I spent parts of three days, and along with us were Mr. Dymally and Mr. Monson of Utah, and Mr. Gejdenson of Connecticut.

I lived in Haiti for 3½ years, 1959 through 1962. I taught English to Haitian military personnel. I taught at the Haitian military academy, several private schools in the city, and I gave courses at the Haitian American Institute. I completely rewrote the entire English language teaching program for the Government of Haiti in the time that I was there and brought all the English language teachers in the country into Port-Au-Prince to the Haitian American Institute where I gave a course on how to teach English and using new instructional methods.

On my return 25 years later, I found that the President, the head of the new governing council, General Namphy, was a fellow instructor at the Haitian military academy at the time that I taught there and that we had many, many common memories and experiences.

The second in command in the new governing council was a student of mine, Colonel Regala. The new Minister of Foreign Affairs was in the first English class I taught in Haiti and later became general of the army. Four of the subcabinet officers were former English students of mine. Many of the people that I knew in my years in Haiti had surfaced again from the underground or come back from exile and I was able to establish very quick contact with them and get a sense of where this country is and where it is headed.

It was a powerfully nostalgic event for me to come back to a land that I have known and to a people that I have loved, but to see every indication of well being decline, every indicator by which we measure progress and the well-being of a people to have declined over 25 years.

The population has doubled. The erosion has accelerated. The condition of the people, the physical condition of the people has worsened. It is not a matter of hunger, it's a matter of starvation. The leading cause of death among children is diarrhea. Roads have deteriorated even worse than they were 25 years ago.

All measures but one have gone down, and the one that has gone up is the one that is essential to progress, and that is freedom and movement toward democracy. The new government is serious about establishing democracy, not reestablishing, but establishing democracy. They have not had democracy. They have had freedom since 1804, and the Haitian people could pronounce the word "democracy" but they have never experienced it, and now they will have that opportunity if some things can be done that don't cost a lot of money but in the short term add some progress toward the long term.

We had a lunch on Monday at which bread was served which was not available Sunday. The bread was made from flour processed from wheat that arrived on Saturday from the United States. It is literally a hand-to-mouth existence in Haiti. With a $3 a day minimum wage, a few dollars go a very long way. A very few dollars make a big difference in the lives of the people——

But everywhere I went, talking to the little people in the streets, the woman who walks from the mountains 25 miles away starting at 3:00 in the morning with a 60-pound basket of fruit and vegetables on her head to sit all day in the marketplace and sell it all for maybe $1.50 said that things are better.

People were sweeping dirt streets to make them look good because they were proud of the new Haiti. But it can all vanish before our eyes if the short-term financial problems aren't addressed, the short-term feeding problems and 50 percent unemployment and probably 80 percent underemployment aren't addressed.

I can't ask this subcommittee to provide from the funds that it does not have but to consider both in the upcoming supplemental and in the fiscal year 1987 budgeting some very targeted assistance that will help stimulate a private sector to help build the transportation network that is needed, put the country back on track toward literacy in a country that is 80 percent illiterate, and to help extend the reforestation. Some very brief comments on each of these points.

First, the private sector. We met with businessmen in Haiti who said, and I'm quoting,

> I have never in 20 years seen such a reservoir of good will ready to work for our country. Six months ago we were all too discouraged to attempt anything, but the revolution of February 7, the bloodless revolution, has made that different.

The Minister of Public Works is astonishingly competent. That was not possible six months ago or 25 years ago. He is a civil engineer. He has a sense of organization and administration. He has a plan for Haiti. They need probably 2500 kilometers of dirt surface roads, not paved roads, but dirt surface roads that can put to work probably 100,000 to 150,000 people for roughly a $10 million program over a period of three to four years.

They have also applied to the World Bank for some $37 million for bridges to cross these sometimes dead, dormant and sometimes raging, tempestuous rivers that block transportation from the interior. But dirt surface roads, which in Haiti are made of coral which congeals to the consistency of grout or concrete, would be sufficient to move goods from the interior that rot on the tree, on the vine and the ground because they can't get to market to feed people that need the food in Port-Au-Prince.

A drinking water plan for the Port-au-Prince region, where there is one-sixth of the nation's population. The French Government has developed a plan on a grant basis for construction of a drinking water system in Port-au-Prince and is prepared to provide most of the funds, but we could target probably $1 million to $2 million of that $6 million construction program and do an enormous amount of good in providing water that is safe, that is clean, that isn't going to cause diarrhea.

The most encouraging sign is the development of a new tree species. It has been developed by American workers in reforestation progress. Twenty-five years ago, the AID program, then called Point Four, saw the need to reforest the countryside. Haiti is 80 percent mountains. It is about the size, Mr. Chairman, of St. Louis, Lake and Cook Counties in the northeastern part of my district. It's about the size from Douglas County over to Ontonagon in your district, with the population of the State of Wisconsin squeezed in to that whole are.

The land has been eroded as the peasants cut the trees down to make charcoal to cook and heat. The AID program 25 years ago said "let's plant trees," so they planted pine trees that would be adaptable to the region. As soon as they got three inches in diameter, the Haitians cut them down and made charcoal out of them, and the erosion has worsened.

Now there is a variety of tree that grows three to four feet in a year, that provides a harvestable crop in eight years of lodge poles for home building, that the leaves are 20 percent protein for cattle feed, and the roots are nitrogen fixing that provide a base for other plant species to develop. Twenty million seedlings have already been developed and distributed into the countryside. Some 100,000 farmers are participating. This program needs targeted help to expand and prevent the absolute washing away of this island before it becomes another Easter Island.

Those are the principal hard areas. The soft area—I call it soft because it isn't building or constructing or putting things in place—is education. Providing funds for a literacy program is crucial. It is also difficult because half of the education system in Haiti is private. Only half of the children in the country attend school, and only a fourth of those complete secondary education. That gives you an idea of how serious it is.

There is an amendment being developed by Mr. Fauntroy to be offered to the supplemental appropriation bill providing some emergency assistance, $21.7 million, $20 million of it principally to go for the fuel assistance, and some for a literacy program conducted by the Inter-American Foundation, and some for non-lethal military assistance for the Army with certain restraints. I think that is a reasonable short-term package.

It's awfully difficult to summarize in eight or nine minutes a lifetime of experience, but I think that gives you a picture. There is a Haitian-Creole proverb that says, "We washed our hands and then we dried them off in the dirt," used whenever a Haitian wants to speak about something that has been totally useless. Let's make sure that in this brief opportunity for democracy, we don't wash our hands and dry them off in the dirt and let Haiti go back to a condition of despotism.

Mr. Obey. Let me simply say, Jim, that I admire the fact that you give a damn. Not many people around this joint really do when you get right down to it.

As you know, we had a meeting in the Speaker's office yesterday, and I indicated I would not support the Fauntroy amendment if it required us to add new money, but that I would consider supporting it if it were amended to earmark funds for Haiti from existing funds. I just got off the phone with Pete McPherson, and he has some objections to the Fauntroy amendment.

He informs me that the administration will take whatever action is necessary to provide the needed food for the remainder of the year. They have already taken care of that problem, so we don't need that. The administration, he indicated, would be opposed to transferring the $1.7 million from ESF to IAF. I told him I don't care whether it comes from ESF or IAF. If he can convince Dante Fascell to earmark it out of IAF funds, that's fine with me, I will accept that. If he can't, I will accept the earmarking proposed in your amendment.

The $20 million for ESF, so long as it is earmarking existing funds, I don't have any problem with, but again, I want to make certain that is cleared with the chairman of the authorizing committee. So I guess, since I am tied down here between now and the time I have to testify before the Rules Committee, that it would be helpful if you could get in touch with Walter and make certain that the loose ends are tied up and all the trap lines are laid.

Again, on the MAP, I think with Haiti you do have a special circumstance. You do have changed conditions, and I don't really object to the $4 million which is being asked for, again provided it is from existing funds.

Mr. McHugh.

Mr. McHugh. In the interest of time, Mr. Chairman, I will simply say, Jim, that was a moving and eloquent statement at this critical moment. I believe we can help.

Mr. Porter. I haven't heard more convincing or sincere testimony in a long, long time, and I certainly will do everything I can to support the aid package.

Mr. Oberstar. Thank you.

Mr. Obey. We have a vote, so we will have a recess.

[Recess.]

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

LAWRENCE E. BRUCE, JR., PRESIDENT, UNICEF

Mr. OBEY. Next we will hear from Mr. Lawrence E. Bruce, Jr., President of UNICEF.

Mr. BRUCE. Thank you, Mr. Chairman, for the opportunity to come here today, to comment on the work of UNICEF this past year.

I am Larry Bruce, the new President of the United States Committee for UNICEF. Having worked with this subcommittee for five years, in a former incarnation with the InterAmerican Foundation, it is a pleasure to be back and have an association once again.

Unfortunately, Jonathan Bingham, the Vice Chairman of our Board of Directors could not be here today, but he sends his very best regards to all the members of the Committee.

I would like to summarize my statement, if I could, and request that the full statement be submitted for the record.

Three years ago, Mr. Chairman, Mr. Bingham came here to tell you about the beginning of a new revolution. A child survival revolution which UNICEF outlined in its 1982–83 report, the State of the World's Children.

That report claimed that in spite of the worldwide economic recession which forced governments throughout the developing world to reduce national education programs and health and social services, there were low cost technological resources at hand that could cut in half, by the end of this century, the annual death toll of 15 million infants and young children who die needlessly from preventable diseases and malnutrition.

The mobilization of existing capacities and resources was possible. The death trend could be irrevocably reversed, if only the world wanted to do it.

Last December, UNICEF released its 1986 report, the State of the World's Children, and the message was indeed heartening. The child survival strategy outlined just a few years ago, has been translated into concrete action with encouraging results in all parts of the world and under circumstances as different as drought and flood, in the midst of civil wars, and in spite of debilitating economic conditions.

Child death rates can be slowed and yes, the world wants to do it. The "twin engines" of this revolution, oral rehydration therapy and immunization have inspired the mobilization of society to an extent that would not have seemed possible a decade ago and promise to make possible the acceleration of other community based primary health care actions.

Recognizing that parent power is a key to the success of the child survival and development revolution, UNICEF last year presented to its executive board a policy paper outlining the role of women in the achievement of world-wide goals for reducing infant and child mortality.

Mr. Chairman, UNICEF believes that the principal child survival strategies now available clearly offer practical support to the cause of progress for the women of the developing world. In as much as child protection strategies save considerable amounts of money, they effectively increase a woman's income. In as much as they prevent illness and disability, they liberate a woman's time and energy.

In as much as they save lives and lead to fewer births, they help to liberate women from the tramp of too frequent pregnancy. In as much as they empower a woman to protect her own and her children's health by her own actions, they increase a woman's ability and confidence to take more control over her own life.

Mr. Chairman, two years ago we reported on UNICEF's response to the emergency in Lebanon. Last year and this year the emergency is in Africa. UNICEF's response to the deepening effects of long-term economic recession, adverse climatic conditions, a deteriorating environmental resource base, ongoing civil strife, and famine in sub-Saharan Africa is not to retrench but to accelerate these child survival strategies.

In doing so, we demonstrate that communities can be mobilized and low cost techniques for saving lives can be applied under the most difficult circumstances.

Last year UNICEF issued a second report entitled "Within Human Reach, A Future for Africa's Children." The report describes the situation of Africa's children and highlights some major difficulties with development assistance strategies and policies in Africa.

Mr. Chairman, I would like to ask that the State of the World's Children report and Within Human Reach, A Future for Africa's Children be included in the record.

Mr. Chairman, here at home, the need to spread the word through the American public about the opportunities to achieve the goals of the child survival and development revolution is being met. From March 17 through 21, just last month, in New York and five other major cities, the national campaign for child survival was launched.

The campaign is a two year education effort initiated under a grant from the Carnegie Corporation of New York. This is a collaborative effort involving not only the United States Committee for UNICEF, but CARE, Save the Children, Bread for the World, Interaction, and many other organizations.

With the support of the honorary chairmen, Presidents Ford and Carter, and active leadership of co-chairs, Father Theodore Hesburgh and UNICEF good will ambassador Liv Ullmann, the campaign for child survival undertakes the task of advancing a world ethic that says children must not be allowed to suffer and die needlessly.

Just as it is unconscionable today to pollute the environment, to discriminate against racial and ethnic minorities, and to denigrate women, so too must it be unthinkable for us to continue to allow 40,000 children to die each day from preventable causes. That is one child every three seconds.

The American people have responded to our call to action and are grateful for the leadership that this Congress has demonstrated in the past two years in furthering the cause of child survival. Mr. Chairman, this Committee took the lead in establishing the Child Survival Fund and earmarking funds for vitamin A programs, thereby providing the resource base for focused programming for children through private and voluntary agencies and international organizations.

Last year, members of this Committee supported the concurrent resolution calling for U.S. participation in the world-wide effort to achieve universal access to immunization by 1990. And members of this Committee have co-sponsored H.R. 3894 to provide funding, through the Child Survival Fund, to bilateral programs, private and voluntary agencies and international organizations for the global immunization effort.

These actions have consequences far greater than the words or the dollars. By these initiatives, the Congress has clearly articulated the commitment of the American people to see to it that our foreign aid programs provide families with the knowledge and resources they need to save their children from needless suffering and pointless death.

Even in this year of severe budgetary constraints and political pressures, I do not hesitate to recommend that this Committee once again exercise its leadership to provide a continuation of the current funding levels for UNICEF and the other international organizations that provide meaningful assistance to the neediest people of our world.

The United States participation in UNICEF and in sister agencies such as the World Health Organization, the U.N. Development Program, IFAD and IDA, the U.N. Fund for Women, and the U.N. Environment Program make it possible to believe that one day soon the economic and social development in communities around the world will be sufficient to provide the world's children with the peace and prosperity they deserve.

Mr. Chairman, I would also like to express our support for the work that AID is doing through its child survival action program and hope that this important bilateral initiative will also be maintained at the current level.

One of the most important actions this Committee could take this year is to also provide funding for H.R. 3894, a bill that would allow the United States to be a full participant in the global effort to achieve universal access to immunization by 1990.

Mr. Chairman, the opportunity to make a meaningful difference cannot be overstated. The United States continues to be the leader in this area and should play a major role in the effort to bring the benefits of immunization against the major communicable diseases of childhood to all the world's children by the start of the next decade.

UNICEF's message is, once again, full of hope and trust that wisdom and vision will prevail and will impel the policy and opinion makers of the world to invest in the future, to invest in the children.

National governments have committed themselves to an unprecedented degree. External donors from the government of Italy to

Rotary and including the Red Cross and the Vatican have clasped hands in support of child survival programs. These are objectives which are surely worthy of our common commitment, even more so in these hostile economic times.

Last year this Committee took an initiative for children which, along with other donors, public and private, saved over 1 million lives. With the continuation or your initiative, the years ahead could see the achievement of one of the greatest goals which people have ever set for themselves, basic protection for the lives and for the health and the normal development of all its children.

Thank you, Mr. Chairman.

[The prepared statement of Lawrence E. Bruce, Jr. follows:]

United States Committee for
UNICEF
United Nations Children's Fund
A future for every child.

Statement by Lawrence E. Bruce, Jr. President of the United States Committee for UNICEF to the Subcommittee on Foreign Operations of the House Appropriations Committee

April 10, 1986

Thank you, Mr. Chairman, for the opportunity to come here today to comment on the work of UNICEF this past year. I am Larry Bruce the new President of the United States Committee for UNICEF. Unfortunately Jonathan Bingham, the Vice-Chairman of our Board of Directors, who had hoped to represent us today, could not be here, but he sends his very best regards to all of the members of the committee.

The United States Committee for UNICEF is one of 33 national citizens organizations established in 1947 to inform and educate the American people and our government on the work of the Children's Fund and the special needs of the world's children. The United States Committee, Chaired by Hugh Downs, with Presidents Gerald Ford and Jimmy Carter serving as Honorary Co-Chairmen, is supported by one of the largest volunteer networks - three million Americans - of any humanitarian cause in the world. In addition, millions more Americans contribute to UNICEF each year through direct donations, use of UNICEF greeting cards, Trick or Treating, and participation in fundraising activities.

Child Survival and Development Revolution: An Overview

Three years ago, Mr. Chairman, Mr. Bingham came here to tell you about the beginning of a new revolution, a child survival revolution, which UNICEF outlined in its 1982-83 report on The State of the World's Children. That report proposed that in spite of the worldwide economic recession which forced governments throughout the developing world to reduce national education programs and health and social services, there were technological resources at hand that could reduce the annual death toll of 15 million infants and young children, children who die needlessly from preventable diseases and malnutrition. The mobilization of existing capacities and resources was possible. The death trend could be reversed if only the world wanted to do it.

Last December, UNICEF released its 1986 report on The State of the World's Children and the message was heartening. The child survival strategy outlined just three years ago has been translated into concrete action with encouraging results in all parts of the world and under circumstances as different as drought and flood, in the midst of civil wars and in spite of debilitating economic conditions.

The "twin engines" of this strategy, oral rehydration therapy and immunization against the six preventable child-killing diseases, have inspired the mobilization of societies to an extent that would not have seemed possible a decade ago, and promise to make possible the acceleration of other community-based primary health care actions, such as the installation of pumps for safe drinking water, nutrition education, and construction of sanitation facilities. For example:

In Haiti, over 80 percent of parents in the slums of Port-au-Prince, and 30 percent in the rural areas, have now begun to use ORT. Sachets of the salts have been distributed through thousands of small commercial outlets and demand has been created by promoting the ORT idea through newspaper and radio advertisements. One day's training in ORT has been given to organized groups who are in regular contact with a wide public: schoolteachers, health workers, agricultural extension workers, traditional healers, and over 15,000 members of the Boy Scouts.

In the Sudan, these basic child survival strategies are proving their sharpened relevance in the midst of drought and famine. Through the emergency operations, and through the large scale water supply programs, ORT and immunization are combating the diarrheal and other diseases to which overcrowded refugee camps and emergency feeding centers are particularly vulnerable. Close to six million sachets of oral rehydration salts were distributed during 1985 and hundreds of community health workers were trained in their use.

In Egypt, with major support from USAID, death rates from diarrheal disease have been halved by ORT in a large pilot campaign which has now been extended to the whole nation. Approximately 8,000 doctors have been retrained and, as of mid-1985, 4,000 clinics had started to use ORT against the diarrheal dehydration which kills more than 80,000 Egyptian children each year. Television commercials for ORT have been broadcast nightly and 80 million sachets of salts a year are now being locally produced and made available both from health posts and from thousands of commercial pharmacies. And it is now estimated that 90 percent of mothers in Egypt know about ORT.

In India, last November 19th, Indian Prime Minister Rajiv Gandhi inaugurated the first phase of his country's universal immunization campaign as "a living memorial" to his late mother, Indira Gandhi.

Last year in El Salvador, three separate days of cease-fire were observed by both sides in the civil war so that two-thirds of the nation's 400,000 unimmunized young children could be protected against five major infectious diseases on three National Vaccination Days. Bringing the first Vaccination Day to an end on February 3, 1985. El Salvador's President Duarte announced: "We have had a day of peace, a day of life, a day of hope". And just last Sunday April 6, the first of this year's three "Days of Tranquility" was held.

And just last week in one of the first major public events of her government, Philippine President Corazon Aquino and Vice President Salvador Laurel, joined in a celebration of UNICEF's 40th Anniversary by pledging that achievement of UCI 1990 and the Child Survival and Development Revolution will be principal goals of the Philippine government, turning "people power" from political revolution to the revolution for children.

In Burkina Faso, a presidential decision of September 19, 1984 led to the mounting of operation 'Vaccination Commando' in which Committees for the Defence of the Revolution throughout the country brought almost 65 percent of the nation's children to be immunized with the 'single-shot' vaccines against measles, meningitis, and yellow fever. The usual epidemics, in which thousands of children die and tens of thousands of children fall seriously ill, have thereby been prevented - giving the health services a breathing-space in which to build towards a system of regular immunizations for all children against the major vaccine-preventable diseases. Immunization depends as much on parents as it does on the medical profession. But Oral Rehydration Therapy, depends even more heavily on parental knowledge and action.

At present, the dehydration induced by diarrhea is estimated to be killing almost four million young children each year -- down from five million two years ago -- and undermining the nutritional health of many millions more.

Most of those lives can be saved if parents know when and how to use oral rehydration solutions. Such solutions can be made with one of the 200 million sachets of oral rehydration salts now being mass-produced in the developing world each year. Or they can be made at home using either salt, sugar and water or one of the effective traditional remedies.

At present, only about 20 percent of the world's families know enough about ORT to be able to use it. But it is already estimated to be saving the lives of half a million children a year.

I. Twin Engines Plus

Oral rehydration therapy and immunization stand in the front line of a revolution in Child Survival. But these techniques do not stand alone. The U.S. Agency for International Development, the World Health Organization, and UNICEF, have adopted a common strategy with ORT and universal immunization taking the lead.

Over the last three years, the report on The State of the World's Children has brought together research and experience from around the world to show that several knowledge breakthoughs have recently been made.

Specifically, previous years' reports have demonstrated that knowledge about breast-feeding, improved weaning, and regular monitoring of children's growth could, along with immunization and ORT, save the lives of at least half the 40,000 children who are now dying each day in the developing world.

It is also now thought that regular growth checking, along with advice on affordable changes in methods of child feeding, could drastically reduce both the incidence and severity of malnutrition. Such changes might include the introduction of other foods (in addition to breast-milk) as soon as weight gain falters, more frequent and persistent feeding (especially during and immediately after any illness), the inclusion of green vegetables and small amounts of oils or fats in the daily diet.

Mr. Chairman, as you know, last year, another potential breakthrough has been added to the list. The findings from a major study in Indonesia appear to have confirmed that a lack of vitamin A in the child's diet, long known to be a major cause of blindness, is also an important determinant of a child's overall health. Even in reasonably well-nourished households, the lack of vitamin A was found to be associated with a very much higher level of respiratory and diarrheal infections and with significantly higher levels of child deaths. In areas already reached by low-cost vitamin A supplements, it was found that the child death rate was more than 30 percent lower.

Should these findings be confirmed, then the maintenance of an adequate level of vitamin A will join the range of low-cost, parent-based ways of protecting the health and lives of children in the poor communities of the world.

But as with immunization technology, the real potential of knowledge breakthroughs about ORT, about infant-feeding methods, or about vitamin A levels, resides in the fact that most of these techniques are cheap and simple enough to become part of a mother's normal way of bringing up and caring for her children. And this means that the benefits of this knowledge could be made available to all children and not just to the few who have access to sophisticated medical facilities.

The challenge of the child survival revolution has become the challenge of finding ways and means to mobilize much more far-reaching forces in order to inform and support many millions of parents in using new knowledge to bring that revolution about.

II. Benefits to Poor Women

Recognizing that " parent power " is a key to the success of the Child Survival and Development Revolution, UNICEF last year presented to its Executive Board a policy paper outlining the role of women in the achievement of world wide goals for reducing infant and child mortality and morbidity rates and the intention of UNICEF to strengthen and support its programs and project assistance to yield direct social, health and economic benefits to women living in poverty for their own well being. This is in recognition of the fact that improvement of women's condition is a necessary prerequisite for social development and for children's well-being.

At the World Conference on the United Nations Decade for Women, held in Nairobi in July of last year, Jim Grant, the Executive Director of UNICEF told the world's women that "...particularly for those in poor communities and low income countries, the potential for a revolution in child survival and health, largely through a new empowerment of women, could have major beneficial implications for women as well as for children".

Among the many themes explored through the U.N. Decade for Women is that the majority of the developing world's mothers have too large a share of responsibility for family well-being and too small a share in the decisions which affect it. Whether we are talking about breast-feeding or weaning, oral rehydration therapy or immunization, regular growth-checking or frequent hand washing, it is obvious that the mother stands at the center of the child survival revolution.

The Decade for Women has brought out the fact that many millions of the world's mothers are permanently in poor health. To take one indicative example - almost half of the women in the developing world are anaemic - and among pregnant women that figure rises closer to 70 percent.

The cause is not usually a specific illness, it is rather the general condition, euphemistically termed 'maternal depletion', that is caused by too much work and too little food combined with too many pregnancies too close together. From girlhood to womanhood, the females of many societies are fed last and least. Malnutrition in girls is much more common than among boys and the fact that, on average, an American woman weighs approximately 25 percent more than an Indian woman is explained not by race, but by food.

Survey after survey has shown that women work more hours per day and more days per year in the fields than men and that they are directly responsible for producing more than half of all the food grown in the developing world. In West Africa, for example, women do 70 percent to 80 percent of all agricultural work and produce 40 percent to 50 percent of all staple food crops.

Of the 460 million women in the developing world, no less than half are estimated to suffer from energy-sapping anaemia; an estimated total of a half-million mothers die annually from causes related to childbearing. Maternal mortality rates in some developing countries are up to 200 times higher than in Europe, leaving several million motherless children. For every mother who dies, many more struggle on in a state of 'maternal depletion'.

All of these demands on the time and energy and health of women help to explain, if not to solve, one of the most intransigent of all development's problems - the problem of "reaching the poorest".

For although it is among the poorest 25 percent or 30 percent of a nation's people that the problem of malnutrition and ill-health are concentrated, it is also in this group that mothers have the least time and energy, the least information and confidence, to become involved in acquiring and applying new knowledge or taking advantage of available services.

The problem is one which runs like a fault line through most development efforts in most developing nations. For whether we are talking about methods of improving the productivity of the land or methods of improving the growth and development of children, it is the poor, those whose need is greatest, who have the least surplus of resources -- of money, time, energy, health, knowldge and confidence -- to invest in improvements. That is the 'Catch22' of poverty. And it means that the problem is perpetuated through a cycle of poor nutrition, poor health, poor performance at school and at work, poor productivity, low income, no surplus money or efforts to invest in improvement, leading to continued poverty, continued poor nutrition...and so the cycle goes on.

Protecting the normal physical and mental development of children is clearly essential if that cycle is ever to be broken. Today that protection can be provided to the majority of the poor world's children at a cost which is within the capacity of most of the poor world's families. But for all the other kinds of support which will be necessary to bring this about, the critical health worker at the center of the Child Survival Revolution is still the child's mother.

Does the fact that so many mothers are so overworked mean that there is no realistic hope of new knowledge and new techniques being acquired and applied? Or can the major low-cost ways now available for protecting child health also allow mothers themselves to save both time and money and conserve their own health and strength?

Breast-feeding, although 'costing' the mother perhaps 500 calories a day and taking a considerable amount of her time, can save the $200 to $300 a year which is the average cost, in a developing country, of bottle-feeding a baby on artificial infant formulas. To buy enough infant formula for one infant in Mexico, for example, costs ten percent of an average family's income and 35 percent of the income of families in the poorest areas. In Africa, the proportionate costs are even higher -- and even an employed person, say a hospital cleaner or a government clerk, would have to spend over 30 percent of his or her monthly salary to buy enough milk powder for a two-month old infant.

Oral Rehydration Therapy also offers savings of both mother and time. For of all the childhood diseases which a mother has to cope with, diarrhea is by far the most frequent. Each episode usually lasts four or five days and there may be as many as six or more episodes a year. And in the one study on the subject so far, it has been found that the average length of diarrhoeal illness was reduced from just under five days to approximately two-and-a-half days in homes where ORT was used. The result was not only a halving of nursing and worrying time, but also less bathing of children and less washing of soiled clothes.

Once a mother has the confidence to use ORT in her own home, being certain that it is the best possible therapy, then the time, traveling expenses and treatment costs of clinic and hospital visits can also be saved. In most developing nations today, diarrheal disease is the most common reason for visits to pharmacies, health clincis, and hospitals. In some countries, families are now spending up to ten percent of their income on anti-diarrheal drugs which are of no value. And if dehydration does set in, then the usually less effective intravenous therapy costs from ten to twenty times as much money -- and takes very much more time -- than the simpler, cheaper, and more effective oral rehydration therapy.

Immunization would take out at least two or three major, worrrying illnesses which a child would otherwise have to be nursed through. It would also prevent at least half of the childhood disabilities, especially paralytic polio, which have a serious effect on the life of the mother as well as on the development of the child. With full immunization, for example, the chances of a child becoming disabled are reduced by approximately 30 percent.

Similarly, low-cost action to fortify diets with vitamin A, iodine, or iron, may be essential for protecting the normal development of young children in certain specific areas of the world. And the time taken to include these minerals and vitamins in the diet -- or to collect the capsules from a clinic -- can also protect the mother from the consequences of a child's disablement. Vitamin A supplements, or the inclusion of more green vegetables in the child's meals, could save the eye-sight of the quarter of a million children who now go blind each year from vitamin A deficiency. But the same action could also save the mothers of those children from the agony of watching their children' eyes slowly rupture and from the lifelong extra work of bringing up a sightless child. In other areas, going for iodine injections in pregnancy or buying iodised salt is necessary both to protect the fetus from brain damage and the mother from the consequences of giving birth to a permanently retarded baby.

Growth monitoring will normally mean a visit to a clinic or a village weighing center once a month. But it too can repay with interest the time invested. The main aim of regular growth monitoring is to give mothers early warning of any faltering in the child's growth. And at that early stage, relatively cheap and simple action can be taken to stop the child from slipping into the cycle of malnutrition and frequent illness -- a cycle which takes such a toll both on the child's growth and on the mother's time and energy.

Those demands on the mother's time caused by the sheer frequency of child illnesses are hard to imagine from the perspective of the industrialized world. In very poor countries, children may be ill for half of their young lives. According to one survey in Bangladesh, for example, the average child has one illness or another for 75 percent of all the days of its life. With perhaps three or four children to look after, such figures mean that a mother is permanently coping with the illness of at least one child, and not only does this take time, it also costs money. Many families in the developing world spend over ten percent of their income on health -- in traveling expenses to clinics, in costs of medicines, and in fees to doctors or traditional healers. In a country like Malawi, for example, it has been calculated that one-third of the nation's total expenditure on health by families themselves. Or in Honduras, where the average family sustains about three illnesses a year, the direct cost to the family is approximately $7.50 per illness or a total of over $180.00 a year - half of which goes on drugs. So the financial costs of illness, as well as the costs in the mother's time, energy and worry, are proportionately much higher than in the industrialized nations.

Growth checking, as a focal point of child health protection, could bring together present knowledge about both the prevention of illness and about the special weaning and feeding needs of the young child. The result could be at least a 50 percent reduction in the days spent in illness during a child's earliest years.

In previous year's reports, Child Survival and well-being has also been shown to be closely related to the 'Three Fs' of Family Spacing, Food Supplements, and Female Education. All of these have been shown to exert powerful upward leverage on a child's chances of survival and normal growth. But all of them also exert powerful upward leverage on the well-being of mothers themselves:

Family Spacing: Leaving at least two years between one pregnancy and the next can reduce the risk of an infant's death by 50 percent or more. But it is also one of the most important ways, perhaps the most important way, of maintaining the heavy nutritional stresses of almost continuous pregnancy, childbearing, and breast-feeding. In most developing countries, 'maternal causes' are the leading causes of death for females between the ages of 25 and 35. In other words, more than a thousand young mothers are now dying every day -- and probably the majority of those 'maternal deaths' are the result of too many births too close together.

Female Education: The education of the mother has been found to be perhaps the most important single determinant of a child's chances of survival -- even allowing for differences in economic class. But it too is a powerful force for improving the lives of mothers themselves.

Even with only four or five years of schooling in which to achieve basic literacy, a women stands a very much higher chance of acquiring the knowledge and the confidence to plan and space her pregnancies, to make use of available health services, to acquire and apply new knowledge, to work outside the home and earn a higher income, and to participate in the family and community decisions which affect her life.

Food Supplements: Extra food for at-risk pregnant women have been shown to reduce the incidence of low birth-weight which is 'the single most important determinant of an infant's chances of survival and healthy growth and development'. Similarly, extra food for breast-feeding women can mean more successful and longer lactation.

But, as well as being a key child survival strategy, extra food is obviously just as vital for maintaining the nutritional health of the mother herself. In the industrialized world, an average woman gains approximately 26.5 pounds in weight during her pregnancy -- much of which is accounted for by the fat stores and the energy reserves needed for child bearing and breast-feeding. Many of the developing world's women -- women with too much hard work to do and too little good food to eat -- gain only 13 lbs.or less in pregnancy and therefore do not build up any adequate reserves. But the baby will still be born and will still breast-feed -- at the inevitable cost of depleting the mother's own nutritional health.

The principal child survival strategies now available also offer practical support to the cause of progress for the women of the developing world. Inasmuch as child protection strategies save considerable amounts of money, they effectively increase a woman's income. Inasmuch as they prevent illness and disability, they liberate a woman's time and energy. Inasmuch as they save lives and lead to fewer births, they help to liberate women from the trap of too-frequent pregnancy. Inasmuch as they empower a woman to protect her own and her children's health by her own actions, they increase a woman's ability and confidence to take more control over her own life.

Women are crucial to the improvement of infant and young child survival rates, and their social and economic position profoundly affects efforts to tackle this challenge.

III. Obstacles in Africa

Two years ago, Mr. Chairman, we reported on UNICEF's response to the emergency in Lebanon. Last year and this year it is Africa.

UNICEF's response to the the deepening effects of long-term economic recession, adverse climatic conditions and deteriorating environmental resource base, on-going civil strife and famine in Sub-saharan Africa is not to retrench, but to accelerate these child survival strategies and to demonstrate that communities can be mobilized and low-cost techniques for saving lives can be applied under the most difficult circumstances.

Last year, UNICEF issued a second report entitled Within Human Reach: A Future For Africa's Children. The report describes the situation of Africa's children and the availability and applicability of child survival strategies that could enable even poor parents to significantly increase the protection given to the lives and normal growth of their children. The report also highlights some major difficulties with development assistance strategies and policies in Africa. Mr. Chairman, I ask that UNICEF's State of the World's Children report and Within Human Reach: A Future For Africa's Children be included in the record.

Although the emergency relief efforts are nearly completed, for many people in many countries the situation is worsening. This is true not only in the drought-affected countries -- plainly evident in the suffering of at least 30 million people -- but large sections of the populations in other countries are also affected by a combined and varying onslaught from war, "destabilization", rural neglect, management inefficiency and cutbacks in health, education and other essential basic services.

Many of these are the result of what has become a deep and sustained drought of domestic and foreign resources, which will persist even when the rains return. Domestic inefficiency and decline are inextricably linked with international factors in a downward spiral, with tragic human consequences.

Among the most serious indicators of decline is the evidence of rising malnutrition among under-five children. This is the most vulnerable age group, because periods of hunger, inadequate health and a general lack of energy and stimulus critically weaken a child's early development. For older children, setbacks in health and education rob both them and their respective societies of the full benefit of resources still being put into public services.

International economic forces including recession, deteriorating terms of trade and rising debt burdens, as well as climatic adversities and war and large-scale violence arising from unsettled colonial disputes, have all contributed their share. But it also must be said clearly and loudly that the unfolding African tragedy, the end of which is still not in sight, represents major shortcomings and failures of development policies of national governments as well as external aid-givers.

This failure, increasingly recognized by both national government leaders and external assistance bodies, is encapsulated in the widespread neglect of the human dimension of development. Neglect of the human factors in development policies and programs is reflected in inattention to basic human needs, failure to give priority to or restructure basic services, emphasis on export crops and marketable surplus at the cost of household food production, neglect of women's role in farming, lack of recognition of community responsibility and involvement in development activities, preference for large-scale and capital-intensive projects, inadequate investment in rural infrastruture , failure to prevent environmental degradation and insensitivity to people's cultural values and motivation.

In the last year and a half, impressive famine relief efforts have been undertaken. Economic salvage operations and reform under the name of stabilization or adjustment programs have been initiated in at least two dozen sub-Saharan countries. But these initiatives are operating within a very short time frame. Economic adjustment measures are overwhelmingly focused on specific financial targets related to repayment of foreign debt; they neglect the human consequences of the economic crises or measures that may promote sustained growth. While the famine relief efforts have helped save lives, they have done too little to address the causes of famine and the long-term needs for recovery.

Unless broadened and reoriented, the adjustment programs and their indiscriminate austerity formula will at best only partially extricate some of the governments from their immediate plight. Broader measures are needed to relieve the suffering of the citizenry, support broad-based regeneration of national economies, seize opportunities to protect the health and survival of children and limit the severity of the ongoing crisis.

The priorities for action outlined in UNICEF's review of the situation for Africa's children focus on the twin objectives of meeting basic human needs in difficult times and re-building the human foundation for sustained development.

Attention is given to six main areas of action: food self-reliance; preserving basic services as a floor under poverty; recognizing the key role of women; protecting the environment; promoting greater local responsibility in development; and a broader approach to economic adjustment.

Of particular importance to Africa is again the fact that most of these strategies depend as much on the empowering of parents as on the extension of services. And with the expansion of the capacity of many nations to reach out to inform and support their populations, via both the mass media and the mobilization of other organized resources, it is now more possible than ever before to put this knowledge and these techniques at the disposal of the vast majority of parents.

On April 1, UNICEF launched an international appeal for more than $100 million to continue providing emergency and rehabilitation assistance to 16 African countries.

This appeal addresses the critical area of non-food assistance to women and children in need and, includes countries listed in an overall appeal recently launched by the United Nations Office for Emergency Operations in Africa (OEOA).

Continuing famine or the after-effects of the 1983-85 drought in 13 countries - Angola, Botswana, Burkina Faso, Cape Verde, Chad, Ethiopia, Lesotho, Mali, Mauritania, Mozambique, Niger, Sudan and Zambia - as well as the effects of severe economic crisis - notably in Ghana, Madagascar, Sao Tome and Zambia - has left a total of 25 million people in need of continued external assistance. Four million people face special problems because they have left their homes in search of food and water.

In Ghana, Madagascar, Sao Tome and Zambia, the deepening economic crisis has caused a steep and continuing drop in GNP. Per capita income in Ghana declined from $400 in 1981 to an estimated $210 in 1985; in Madagascar, per capita GNP fell from $320 to $254 during the same period with a further dramatic decrease expected for 1985. In Sao Tome, the comparable figures were $490 in 1980 and $310 in 1983.

In Zambia, a combination of plummeting copper prices and increasing foreign debt cut the average per capita income from $640 in 1982 to $254 in 1984.

In these countries the emergency situation caused by the economic crisis has led to a serious decline in social services available to children and mothers. Infant mortality has been rising in some areas.

We are appealing for $102 million to help meet the urgent needs of women and children in these countries in the areas of health assistance, water supply, supplementary feeding for severely malnourished children and the provision of survival and relief items, as well as support.

UNICEF had appealed in 1984 and 1985 for a total of $120 million for assistance to 20 countries and received donations of $72.4 million from governments, non-governmental organizations and private citizens, plus contributions in kind.

IV. Child Survival: America responds

Mr. Chairman, here at home the need to spread the word through the American public about the opportunities to achieve the goals of the child survival and development revolution is being met.

From March 17 through 21 (just last month), in New York City, Philadelphia, Houston, Atlanta, Minneapolis/St. Paul, and Los Angeles, the National Campaign for Child Survival was launched. The campaign is a two year education effort initiated under a grant from the Carnegie Corporation of New York. With the support of the Honorary Chairmen, Presidents Ford and Carter, and CARE, Save the Children, Catholic Relief Services, InterAction, and the active leadership of Co-Chairs Father Theodore Hesburgh and UNICEF Goodwill Ambassador Liv Ullmann, the Campaign for Child Survival undertakes the task of advancing a world ethic that says children must not be allowed to suffer and die needlessly.

Just as it is unconscionable today to pollute the environment, to discriminate against racial and ethnic minorities or to denigrate women, so too must it be unthinkable for us to continue to allow 40,000 children to die each day from preventable diseases.

The American people have responded to our call for action and are grateful for the leadership this Congress has demonstrated in the past two years in furthering the cause of Child Survival.

Mr. Chairman, this committee took a lead in establishing the Child Survival Fund, and earmarking funds for vitamin A programs, providing the resource base for focused programming for children by private and voluntary agencies and international organizations.

Last year, as well, members of this committee supported the Concurrent Resolution calling for U.S. participation in the worldwide effort to achieve universal access to immunization by 1990. And members of this committee have co-sponsored H.R. 3894, to provide funding through the Child Survival Fund to bilateral programs, private and voluntary agencies and international organizations for the global immunization effort.

These actions have consequences far greater than the words or dollars. By these initiatives the Congress has clearly articulated the commitment of the American people to see to it that our foreign aid programs provide families with the knowledge and resources they need to save their children from needless suffering and pointless death.

Even in this year of severe budgetary constraints and political pressures, I do not hesitate to recommend that this committee once again exercise its leadership to provide a continuation of the current funding levels for UNICEF and the other international organizations that provide meaningful assistance to the neediest people of the world.

United States participation in UNICEF and in sister agencies such as the World Health Organization, the U.N. Development Programme, IFAD and IDA, the U.N. Fund for Women, and U.N. Environment Programme, make it possible to believe that one day soon the economic and social development in communities around the world will be sufficient to provide the world's children with the peace and prosperity they deserve.

Mr. Chairman, I would also like to express our support for the work that AID is doing through its Child Survival Action Program and hope that this important bilateral initiative will also be maintained at the current level.

One of the most important actions this committee could take this year is to also provide funding for H.R. 3894, a bill that would allow the United States to be a full participant in the global effort to achieve universal access to immunization by 1990. This measure adds $50 million to the Child Survival Fund for direct services and support services, including applied research activities, that are in such great demand today.

In this world every year three and a half million children under five in developing countries die from six childhood diseases; two million of them die from measles and nearly one million die from neonatal tetanus. And sixty percent of all children who die as a result of not being immunized against these two diseases live in just five countries - China, India, Bangladesh, Pakistan, Indonesia and Nigeria.

Mr. Chairman, the opportunity to make a meaningful difference cannot be overstated. The United States continues to be the leader in this area and should play a major role in the effort to bring the benefits of immunization against the major communicable diseases of childhood to all the world's children by the start of the next decade.

UNICEF's message is once again full of hope and trust that wisdom and vision will prevail and will impel the policy and opinion makers of the world to invest in the future, in the children.

National governments have commited themselves to a unprecedented degree. External donors from the government of Italy to Rotary, and including the Red Cross and the Vatican, have clasped hands in support of Child Survival programs.

These are objectives which are surely worthy of our common commitment -- even more so in these hostile economic times! Last year this committee took an initiative for children which, along with other donors, public and private, saved over one million additional lives.

With the continuation of your initiative, the years ahead could see the achievement of one of the greatest goals which people have ever set for themselves - basic protection for the lives and the health and the normal development of all its children.

Thank you, Mr. Chairman.

Note: The UNICEF reports "Within Human Reach - A future for Africa's children" and "The State of the World's Children 1986" were submitted and placed in Subcommittee files.

Mr. **Obey**. Thank you very much.

Let me simply say that I think that UNICEF is probably one of the two or three most popular programs which comes under the jurisdiction of this Committee. But I would say to you the same thing I say to virtually every other group that comes before us, if your members truly want to see this valuable work continued, I would urge them to recognize that they have to do more—and obviously I am glad they are—urging for support for UNICEF programs.

But I think, in addition to that, they simply have to face up the fact that the special requirements under Gramm-Rudman dictate the necessity for them to do more than simply lobby for the funding of their programs. It is very easy to ask the Committee to provide more money. But if we do not have that money

As popular as UNICEF is, I doubt that the Congress is going to want to support last year's levels of foreign aid if that comes at the expense of accepting an $80 million reduction in cancer research, $70 million reduction in heart research, $31 million reduction in AIDS research, $430 million reduction overall in health research, as is contained in the President's budget.

And I do not think they are going to vote for these programs by adding to the deficit either. Which means that in addition to all of the constructive work that your people have done, in raising or pricking the conscience of the country on issues like this, it is necessary for them to understand that we have also got to pay for this stuff.

And that means that they have got to be lobbying the White House for a more realistic attitude on revenue or there simply is going to be no room in the inn for a whole lot of very worthwhile programs because we are not going to find the votes for them.

Mr. **Bruce**. I appreciate that advice, Mr. Chairman, and we do have 3 million volunteers who are gearing up as we speak.

Mr. **Obey**. My point is tell them to write the letters on both sides of the issue, not just on the spending side.

Mr. **Bruce**. I appreciate that.

Mr. **Obey**. Mr. McHugh?

Mr. **McHugh**. I have no questions. Thank you very much.

Mr. **Obey**. Thank you, very much.

Mr. **Bruce**. Thank you.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

THOMAS A. DINE, EXECUTIVE DIRECTOR, THE AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

Mr. **Obey**. Next, Mr. Tom Dine, Executive Director of the American Israel Public Affairs Committee.

Mr. **Dine**. Mr. Chairman, good morning. Thank you for this opportunity.

You know Doug Bloomfield, our legislative director. I believe you also know our deputy legislative director, Esther Kurtz, sitting over there.

Thank you to the subcommittee for its support and its leadership. United States-Israel relations today are excellent. Both countries are involved in working on and programming themselves into a strategic cooperation alliance whereby there are political and military talks going on, joint military exercises and maneuvers, and all kinds of relationships that are unprecedented.

In the diplomatic field, both countries are working hand in glove towards some kind of peace process between Israel and Jordan. In my experience, this is the first time that Israel and the United States have worked so closely to get something going in the peace process since Camp David.

Diplomacy at the United Nations between the two countries is close. Israel's voting record on the side of the United States is unmatched by any other country at that body. Ninety-one percent of the time Israel is voting with the United States. Discussions are still going on, but projects are now in the planning stage to set up a VOA transmitter in Israel, which other countries rejected.

Finally, Israel's economic recovery. Credit has to go to the people of Israel, the government of Israel, but also the government of the United States, including this important subcommittee. So, Mr. Chairman, both governments are in close touch on all fronts.

Why aid Israel? I don't know of a better statement than I heard from Congressman Oberstar, frankly, that aid can be an instrument of foreign policy, can correct wrongs, can give support where support is needed in order for countries to get on their feet and go full steam ahead and provide their citizenry the opportunities that we all hope for them.

Our organization supports the full foreign aid appropriations bill, but of course, the $3 billion for Israel. Israel is a democratic ally of this country, as I have indicated, and I believe the aid to Israel has proven to be cost effective both in the military and economic realms. Aid has proved itself in Israel, aid works, and this was detailed, as you noted, I believe, in the Congressional Record, Mr. Chairman, when you put the Herb Stein/Stanley Fisher article from the Wall Street Journal in a month or so ago.

Those who questioned foreign assistance said that aid may prevent a country from instituting tough austerity measures which inevitably cannot be avoided. The example of Israel clearly challenges that notion.

United States assistance to Israel has made a clear difference in Israel's struggle to regain economic stability and has been accompanied by some of the toughest austerity measures ever imposed by a democracy in a compressed period of time. Last year at this time, you will recall, Israel was, very frankly, hemorrhaging economically. Years of shouldering the enormous defense burden imposed by Arab hostility and the accumulated result of the dependence of imported raw materials and fuel for Israel's industry had led to extensive borrowing and a huge foreign debt.

Then something unusual happened. Within Israel, the many parties and different schools of thought pulled together and said that the higher national interest required them to put aside their differences and work in a united fashion for national economic recovery. Equally important, the government of the United States, and particularly Secretary of State George Shultz, and this Congress stepped forward and in the spirit of a true ally offered the hand of assistance in a time of trouble.

On July 1, 1985, the government of Israel instituted a bold and courageous economic plan aimed at curbing runaway inflation, reducing the budget deficit, bringing the foreign exchange crisis under control, and starting the nation back on the path to economic growth. These measures led to one of the most rapid reductions in standard of living ever imposed on a free people by their democratic government. In one short year, real earnings have been cut by an average of 10 percent, and in many cases 20 percent, as compared to July 1985, and while earnings have declined, cost of living has risen, according to the plan.

In short, Israel has and is experiencing a scissors effect, incomes rapidly going down while the cost of living goes up.

Although Israel has made substantial progress, the path has not been easy. Israel is by no means through the difficult phase of economic recovery. There is still much ground to cover. But as the Prime Minister of Israel indicated when he was here two weeks ago, there is a real ray of hope.

I would like to just mention, Mr. Chairman, something about Israel's military burden. Part of this economic recovery is the fact that the military budget has been cut $560 million over the last two years. To the best of my knowledge, the Defense Minister of Israel, Yitzhak Rabin, is the only minister of defense in the region that is cutting his military budget, and we see all kinds of effects on the Israeli military because of that. Active combat units are being disbanded, training is significantly being reduced—that is, for instance, fighter pilot hours have been cut back—reserve readiness has been cut, officer and enlisted men RIFs—and by the way, these are the skilled men in the Israel defense force—stockpiles are not being filled, building programs are being cancelled—for instance, a missile boat—and their research and development programs are being curtailed.

All in all, America's aid to Israel is in our best interest, and I hope this committee in consideration of the aid bill this year will fully appropriate the monies for Israel.

Thank you.

Mr. OBEY. Thank you.

Mr. McHugh.

Mr. McHUGH. I have no real questions. I think it is worth noting that Israel voluntarily returned its share of the Gramm-Rudman cuts, which it was not obligated to do, and I think it was a wise decision given the fact that other foreign aid accounts suffered those reductions. So it is worth noting for the record, and I think that that was a constructive step on the part of the Israeli Government.

Mr. DINE. I appreciate that point, Mr. McHugh, and if I could just add something, Israel also was promised by this administration $90 million more in the foreign military sales account for the fiscal year 1987. Because of Gramm-Rudman and all the pressures that we are all familiar with, the administration when it sent its budget to the Hill of $3 billion deleted that $90 million, so they have already taken another cut.

Mr. OBEY. Tom, just the same message that I have given and will give every single person that comes before this Committee today. First of all, I recall a meeting which I had with Moda'i, the finance minister, a year ago when I told him that if we were agreeing to that supplemental, we wanted it understood that that was a onetime shot to get him stabilized, and I am pleased that they have stuck to that approach.

Again, I do want to urge you, if members of your organization really care about the ability of this Committee to meet our responsibilities in the Middle East, I urge them to do more than simply ask this Committee to provide the money. I think they have also got to be prepared to urge the leadership of the Congress and the leadership at the highest levels, including the White House, to pay some attention to what people like Pete Domenici are saying, namely, that you have got to have a three-legged compromise.

If the administration wants to play the role of a great power defending our national interests around the world, then we better be prepared to pay for playing that role, and if they are not, then that is not leadership worthy of the name, whether it is lacking in the White House or anywhere else.

It is my honest belief that given the tremendous psychological crunch that the country and the Congress are in under Gramm-Rudman, that if we get a major agreement, probably the best that any program is going to get in the foreign aid area are the Gramm-Rudman levels for this year, and if we don't, God help us because I honestly, no matter how we structure the bill, don't see any way under God's green earth that we can pass anything. It is literally a legislative zoo, and this is probably the high point.

Mr. DINE. This organization, Mr. Chairman, supports the Domenici bill, and we will do what we can. I saw some good news in the newspaper today. There was a New York Times article saying that because of the sharp drop in interest rates over the last few months, the government could save $4 billion this year. So that is encouraging, and it could go down to $12 billion in the fiscal year ahead of us.

The worrisome news, I felt, was that the oil inventories are perhaps now going down and a charade is taking place and we think everything is wonderful, but we don't have an energy policy and I shudder at the thoughts of what could happen again when things go really bad.

Having said that, I welcome this opportunity.

Mr. OBEY. Thank you very much.

We have a second vote, so why don't we go and come back.

[Recess.]

[The prepared statement of Mr. Dine follows:]

STATEMENT BY
THOMAS A. DINE, EXECUTIVE DIRECTOR
AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE, (AIPAC)
BEFORE THE
SUBCOMMITTEE ON FOREIGN OPERATIONS
COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES
APRIL 10, 1986

Thank you, Mr. Chairman, for the opportunity to testify before this distinguished committee. Appearing with me is Mr. Douglas Bloomfield, AIPAC's Legislative Director.

The American Israel Public Affairs Committee (AIPAC) appreciates the opportunity to express our views on the proposed Foreign Assistance bill for FY 1987 and the state of U.S.-Israel relations.

AIPAC is a domestic organization of American citizens who value a close and consistently strong partnership between our country and Israel. On our Executive Committee sit the presidents of the 38 major American Jewish organizations representing more than four and one-half million members throughout the United States.

Aid to Israel serves the national interests of the United States because Israel is the one democracy and our most reliable ally in the Middle East. In poll after poll for over thirty years, the American people have resoundingly reaffirmed their sympathy for the Jewish state and their conviction that Israel is a democratic ally of vital importance to the United States. Although the absolute amount of our aid to Israel is substantial, it is in comparative perspective one of the most cost-effective investments that the United States makes in support of its common interests.

U.S. expenditures in support of our European allies in NATO, for example, are more than thirty times the size of our aid to Israel.

Mr. Chairman, we are meeting at a time when the relationship between the United States and Israel is excellent: there is a deep, broad-based partnership which is progressing, day by day, toward a full-fledged political and military alliance.

Nowhere was this more evident than in the aftermath of Libyan sponsored terrorist attacks and our efforts to curb the outlaw Qaddafi regime. Unlike even many of our closest allies, Israel's Prime Minister boldly affirmed his country's unequivocal support for our actions and Israel's readiness to assist us. This is in direct contrast to those in the Arab world who claim our friendship yet repeatedly condemn our initiatives against terrorism or who, like Saudi Arabia, even offer to replenish Qaddafi's coffers as a result of our boycott.

We also know of Israel's own efforts to combat international terrorism at its source. This too is in stark contrast to such Arab regimes as Saudi Arabia which provide Yasir Arafat with the funds--a reported $114 million this year--and bases, like Jordan and Iraq, from which to carry out terrorist attacks. This is to say nothing of Syria and Libya's support for all the PLO offshoots.

The strategic alliance has blossomed. Israel has undertaken military planning with the United States to meet threats to mutual interests in the Middle East and the eastern Mediterranean.

It has participated in a joint naval exercise with the Sixth Fleet designed to strengthen U.S. antisubmarine warfare capabilities in the eastern Mediterranean. It has provided access to its ports for regular ship visits by the Sixth Fleet.

It has made facilities available for the storage and maintenance of U.S. materiel for American use in a conflict. It has provided 12 of its Kfir fighter aircraft to the U.S. Navy's Aggressor Squadron to help train American fighter pilots. It has engaged in military training exchanges with the U.S. Marines.

It has entered into formal arrangements to provide access to its sophisticated hospital facilities for U.S. military casualties in a conflict. These facilities have already been used to treat U.S. personnel injured in the bombing of the U.S. Embassy Annex in east Beirut.

It has shared with the United States the lessons of its combat experience in Lebanon, where Israel successfully used American equipment against Soviet weapons. It has undertaken joint research and development projects with the Pentagon to build on the technological expertise acquired from decades of conflict. Indeed, Israel has agreed in principle to participate in the Strategic Defense Initiative.

Moreover, Israel's role as an ally of the United States goes well beyond the confines of military cooperation in the Middle East.

At the United Nations, Israel voted with the United States on more than 91% of the General Assembly resolutions introduced in the 39th session, the highest rate of cooperation of any country in the world. This contrasts with 38% for Turkey, 33% for Greece--America's NATO allies in the eastern Mediterranean. It also contrasts with 15% for Egypt, 14% for Saudi Arabia and 14% for Jordan--America's so-called friends in the Arab world.

In the information war, Israel has agreed to install a Voice of America transmitter on its territory to enhance American broadcasts to Soviet Central Asia and Afghanistan, despite the inherent risk of worsening the plight of Soviet Jews. By contrast, America's NATO allies, Greece and Turkey, both refused to host the VOA transmitter because of their unwillingness to endanger their relations with Moscow. Reportedly, Oman has also turned down the United States offer.

In the search for peace with her neighbors, Israel's National Unity Government has taken many bold initiatives in the past year and has worked closely with the United States.

One major step was the decision to accept the risk of withdrawal of troops from Lebanon, in June 1985, in spite of the continued occupation of that country by Syria and in spite of the growth of Syrian-sponsored terrorist cells. It was the hope of the Government of Israel that this courageous step would be followed by a warming of relations with Egypt and an opening of relations with Jordan.

The Prime Minister has repeatedly called for King Hussein to enter negotiations without preconditions on the basis of United Nations Resolutions 242 and 338, and has expressed a readiness to consider any proposal the King might have and to go anywhere to meet him. The Prime Minister has, in his address to the United Nations and elsewhere, extended the hand of friendship to the King. In an effort to help meet the King's preconditions, the Government of Israel was also prepared to accept international accompaniment to the direct negotiations and to sit down with Palestinian participants who were not associated with terror. Unfortunately, the King continues to refuse direct negotiations with the Jewish state and continues to allow Yasir Arafat to exercise a veto over his actions.

Israel has also heeded Secretary of State Shultz's advice and taken tangible steps to improve the quality of life for the inhabitants of the "West Bank" and Gaza--easing currency controls and restrictions on movement in and out of the territories, permitting new industrial efforts, drastically curtailing censorship restrictions, and, most important, offering to return the reins of municipal government to the local Arab inhabitants. The Israeli Government is now pursuing a $500 million economic development plan for the territories, in cooperation with the United States.

And, despite the rejection of direct negotiations by each of her Arab neighbors except Egypt, Prime Minister Peres has sought ways to promote a peaceful environment through economic development under a multi-year, large-scale "Marshall Plan" for the Middle East. This plan's farsighted purpose is to help those Arab neighbors of Israel (Egypt, Jordan, Lebanon, and Syria) who are now suffering seriously from the recession in the Arab world brought on by the collapse of oil prices, and thereby to create a regional environment conducive to peace.

Out of sincere desire to nurture the peace with Egypt, the National Unity Government has agreed to refer the Taba dispute to arbitration. This, like many of the other steps in the peace process that Israel has taken over the past year, includes very significant concessions to the Arab side. Prime Minister Peres has even indicated a willingness to discuss arrangements for the Golan Heights with Syria.

And so, Mr. Chairman, in strategic cooperation, in the diplomatic arena, and in the peace process, Israel is today one of our foremost allies in the world, working with the United States toward regional and global security.

Israel and the United States have also cooperated over the past year in another bold initiative. Working together, they have undertaken to rescue Israel's economy from the severe distress we reviewed together one year ago.

Israel has provided, over the past year, an excellent example of how U.S. foreign assistance, in combination with strong and well-conceived corrective measures in the economy, can turn economic distress into an opportunity for recovery. As economists Stanley Fischer and Herbert Stein set forth in The Wall Street Journal, "Israel has made aid work." Those who questioned foreign assistance said that aid may prevent a country from instituting tough austerity measures which inevitably cannot be avoided. The example of Israel clearly challenges this notion. U.S. assistance to Israel has made a concrete difference in Israel's struggle to regain economic stability, and has been accompanied by some of the toughest austerity measures ever imposed by a democracy in a compressed period of time.

Israel was, very frankly, hemorrhaging economically at the time of this annual hearing last year. Years of shouldering the enormous defense burden imposed by Arab hostility, and the accumulated result of the dependence on imported raw materials and fuel for Israel's industry, had led to extensive borrowing and a huge foreign debt. Foreign reserves were plummeting below $3 billion to the perilous "red line" level of $2 billion. At the same time, inflation was raging at 450% per year, and in one month reached an annual rate of 800%. The government budget was running a deficit equivalent to 17% of the Gross National Product.

Then something unusual happened. Within Israel, the many parties and different schools of thought pulled together, and said that the higher national interest required them to put aside their differences and work in a united fashion for national economic recovery. Equally important, the Government of the United States, and particularly Secretary of State George Shultz and the U.S. Congress stepped forward and in the spirit of a true ally, offered the hand of assistance in a time of trouble.

On July 1, 1985, the Government of Israel instituted a bold and courageous economic plan aimed at curbing runaway inflation, reducing the budget deficit, bringing the foreign exchange crisis under control, and starting the nation back on the path to economic growth. The major elements of the austerity program have been severe and painful, but necessary, and include a wage and price freeze, a suspension of monthly cost-of-living adjustments, a reduction in government subsidies to basic commodities that especially strained those in the lower income brackets, major cuts in the government budget, a 19% devaluation of the shekel, and a freeze on government hiring.

These measures have led to one of the most rapid reductions in standards of living ever imposed on a free people by their democratic government. In one short year, real earnings have been cut by an average 10% and in many cases 20%, as compared to July 1985. And while earnings have declined, the cost of living has risen, according to the plan.

Israelis now must pay user fees for health services and for educating their children. Each family must pay $60 per child enrolled in kindergarten through senior high school. Subsidies on basic commodities like bread, milk, chicken and electricity have been cut. The tax rates paid by Israelis are still among the highest in the world. And now, the Government of Israel has instituted a tax on the elderly's pensions.

This terrible "scissor," of incomes rapidly going down while the cost of living goes up, has cut deeply into the living standards and quality of life of the people of Israel. But they have joined their government in recognizing the necessity to "bite the bullet" to rescue the economy and get back on the path to economic growth.

But the Congress, the people, and the President of the United States were partners in this process also, because another critical ingredient of the recovery program is U.S. economic assistance. U.S. aid provided the critical "safety net" to stop the decline of foreign reserves and restore confidence in Israel's economy. This in turn prevented a crisis in which Israel would have become more dependent on high-interest rate, short-term borrowing in the international financial market. Aid made it possible to bring Israel's international financial position back under control.

Aid was also essential to prevent massive unemployment from overwhelming the economic recovery program, destroying public support for the steps that are required for recovery. Israel's unemployment has, unfortunately, increased to very high levels, but the trend would have been still worse without U.S. assistance.

U.S. assistance has been a critical and indispensable ingredient in the progress made by the Government of Israel in restoring health to the economy. As Secretary of State Shultz said last week:

> I am happy to say that under Prime Minister Peres' bold and farsighted leadership, Israel has indeed tackled its economic problems in a forthright and constructive way through a series of stabilizing measures, including reduced expenditure and a cut in real wages, and that's tough to do. But you did it.

The results to date have been impressive. Israel's foreign reserves have risen to over $3 billion, from the dangerously low $2 billion mark. The inflation rate has also improved dramatically from 450% last year to about 25% today. In January of this year, Israel experienced a negative monthly inflation rate of -1.5%. While 25% inflation is still significant, it's a long way from triple-digit inflation.

Due to cuts made in the budget, the Bank of Israel printing press did not issue a single additional shekel during the 1985/86 Israeli fiscal year. The government's budgetary deficit was running at about 17% of the Gross National Product. Since instituting its austerity program in July, the budget deficit has fallen to about 7% of GNP. In addition to the strides made in reducing the budget deficit, Israel's trade balance has also improved. The civilian trade deficit declined by $800 million in 1985 after a $1 billion improvement in 1984. Even in a year of slow economic growth, exports grew by 6% and imports fell by almost 5%.

Although Israel has made substantial progress, the path has not been easy. Israel is by no means through the difficult phase of economic recovery. There is still much ground to cover. Israel must forge ahead with its plan of continued austerity while attempting to renew economic growth. This means the government must hold back the reins on it own spending in services and even defense and commit resources to fueling private sector growth. Israelis will continue to make sacrifices not only for their military security but also for their economic security.

Through these difficult times of economic austerity, the Government of Israel must continue to hold out to its people the "ray of hope" that makes it possible for them to accept further sacrifices.

The United States has a vital interest in Israel's economic recovery for several reasons. First, the economic health of our major allies and fellow democracies is inherently a vital interest for the United States, because in a very profound sense, the free nations stand or fall together. Second, the economy of Israel is the bedrock of the nation's ability to sustain its own defense, and for this reason Israel's economic health is essential to the stability of the region. And third, it is a vital interest of the United States to put Israel back on the path to economic growth and self reliance. This is something we can do, and for our own interest, must do.

The challenge for the United States, and for the committee, as we look to the year ahead, is to stay the course, to continue a program that is working, and to take the steps that are necessary to reinforce and indeed accelerate the recovery to which we have already contributed so much. The foreign assistance program before you is truly an investment in Israel's future.

And beyond the challenge of economic recovery, the program before you is essential for a second reason. This is the fact that our assistance to Israel over the coming year will have a critical impact on the security of the Jewish state, even more this year than in the past.

I regret to report to you, that since the last time we met, Israel's margin of security has been eroded. To a great degree, this has come about because of the very financial and budgetary austerity measures that have been necessary to rescue Israel's economy from the perils it faced one year ago.

As part of the austerity program, Israel has since 1984 made deep and significant cuts in its defense budget to help curb inflation and revive the economy. Overall, the defense budget has been reduced in the past two years by about 20%--one of the largest reductions ever imposed by a democracy in so brief a timespan. Current economic planning assumes that these reductions will persist into the 1990's.

While Israeli military planners have attempted to make the cuts without eroding the narrow margin of safety, reductions of this magnitude have, inevitably, added to the element of risk in many areas. Israel is no longer cutting fat out of the defense budget, it is beginning to cut into its muscle.

(1) Active combat units have been disbanded, reduced in size, or converted into reserve formations. This has decreased the number and size of army brigades and air force squadrons available to meet a surprise attack. It seems likely that additional active units will suffer the same fate. This weakens the basis on which Israel's security has rested since the conclusion of the 1973 Yom Kippur War.

(2) Combat units have been disbanded. It appears that at least one of Israel's mechanized/armored divisions has been dissolved. This means a serious decline in Israel's visible deterrent capability as well as a decline in its war-fighting ability.

(3) Training has been significantly reduced. There have been serious cuts in the number of flying hours allowed aircraft pilots, ground forces training has been limited, and the expenditure of ammunition in training has

been curtailed. For example, Israeli pilots now are able to fly fewer training hours than their American or Jordanian counterparts.

(4) Reserve readiness has been cut. This year, the number of reserve days being served by Israeli soldiers will be cut severely.

(5) Thousands of active duty military personnel have been released, with thousands more scheduled for dismissal. This has meant the loss of a great many highly-skilled individuals who will be sorely missed by the Israeli armed forces.

(6) Ammunition and equipment stockpiles have suffered deep cuts. This has reduced Israel's ability to sustain its forces in combat. Stocks expended during the Lebanon war have not been replaced, and in order to further reduce expenses, the armed forces have continued to draw down their stockpiles without full replacement.

(7) Naval building programs have been cut back. Israel has had to delay the deployment of the Saar-5 advanced missile boat.

(8) Expenditures on research and development have been significantly curtailed. This will diminish Israel's ability to develop and produce the unique new weapons and countermeasures needed to counter increasingly sophisticated weapons entering Arab arsenals. The Israeli defense industries have reduced their staffs and plant facilties and thus are less able to support Israel's military needs.

The excellent and supportive advice that Secretary of State Shultz and other officials have offered to the Government of Israel has played an important role in the successes that have been achieved in bringing Israel's economy back under control. To that end, the $1.5 billion supplemental aid request which this Subcommittee approved last year has provided significant support during this austerity period. But, inevitably, the plans we have encouraged have also contributed to the decisions to make reductions in defense. An essential ingredient of the austerity package was the arrangement that was established between the governments of the United States and Israel allowing for a gradual rise in FMS grant aid to Israel. It was planned to provide Israel, over the next five years, with a total of $10 billion in FMS grants and forgiven loans. This would allow Israel to focus on economic recovery while maintaining the minimum strength necessary for security.

Thus far, however, the FMS levels to Israel were reduced by 4.3% in FY 1986 and a planned 5% increase for FY 1987 was cancelled.

Despite reductions in oil revenue, Israel's enemies continue to purchase arms at an unprecedented pace. The best available information indicates that they placed orders worth nearly $30 billion for military goods and services during the last two years alone. According to the U.S. Arms Control and Disarmament Agency, five of the seven largest arms importing countries are Arab countries at war with Israel: Iraq, Saudi Arabia, Libya, Syria, and Jordan. And, it may be significant that despite its economic problems, Egypt was the fourth largest importer.

Syria has made major efforts to expand and improve its armed forces since its defeats in the 1982 fighting. The Syrian military now has about 500,000 men, organized into nine divisions, compared with only six divisions and 300,000 men in 1982. Several years ago Syrian military sources claimed that they could mobilize a total of 750,000 men, and recent reports indicate that they intend to increase this to a million.

This expansion has been made possible by substantial purchases of arms. It appears that in 1984 and 1985, the Syrians ordered Soviet weaponry worth more than $5 billion. According to the Department of Defense, these orders have made Syria the largest recipient of Soviet arms in the Third World.

Syrian air defenses have been upgraded significantly in recent years. In 1983 the Syrians received two SA-5 missile sites, and a third has recently been added. Last year the Soviets gave control of the SA-5s over to Syria. Although these missiles do not pose a threat to Israel's tactical aircraft, they do pose a serious danger to commercial aircraft that fly into Israel and to large military support aircraft that assist Israel's combat planes.

The Syrians have also been provided other, more advanced air defense weapons. Weapons received in the past few years have included the SA-8, the SA-11, the SA-13, and the SA-14, giving the Syrians a full range of Soviet-origin air defense missiles.

The Syrians also have received the improved MiG-23 Flogger G fighter, a version more capable than those previously received. By next year, they are scheduled to receive the MiG-29 fighter, the most advanced fighter aircraft in the Soviet arsenal. It is considered comparable to the U.S. Navy's F-18.

The Syrian navy has been substantially rebuilt in the past few years. Sepal coastal defense missiles with a range of 300 kilometers were delivered last year. Syria appears to be the first country other than the Soviet Union to receive this weapon. For the first time ever, the Syrian navy has been provided with submarines, two "Romeo" class boats delivered late last year. The Syrians have also been expanding their force of missile patrol boats. Two additional Osa-II missile boats were delivered in 1985. The

Syrians may have also received last year, two of the four Nanuchka missile boats that they ordered several years ago.

The **Jordanians** have also embarked on a major defense build-up. According to the U.S. Arms Control and Disarmament Agency, total Jordanian arms imports from 1981 to 1983 (the most recent figures available) amounted to over $3 billion, including $1.1 billion in 1983 alone. Indeed, tiny Jordan, a country with only two million people, was the world's seventh largest importer of arms in 1983. (Iraq and Saudi Arabia were first and second, and Israel ranked only 27th.) By contrast, Israel's purchases were only $2.5 billion from 1981 to 1983, and only $370 million in 1983.

These imports have included new French-built Mirage F-1 fighters, British Khalid battle tanks, Austrian artillery, and Spanish aircraft. Only last year Jordan ordered arms worth more than $300 million from Britain. American weapons sold to Jordan in recent years have included AH-1 Cobra helicopter gunships, Maverick air-to-ground missiles, tank modernization kits, and a variety of other weapons.

During the past two years, the Jordanians are reported to have placed arms orders worth more than $750 million. Like many Arab countries, the Jordanians shop around the world for their weapons. Among the countries that Jordan has approached to provide weapons are Argentina, Austria, Brazil, France, Great Britain, Spain, and the Soviet Union.

Despite reductions in oil revenues, **Saudi Arabia** continues to order weapons on a grand scale. The Saudis placed military orders worth more than $18 billion in 1984 and 1985. In addition, the Saudis are interested in buying even more advanced weapons. Despite a $7 billion purchase of Tornado fighter bombers in 1985, the Saudis have indicated that they still would like to obtain more American F-15 aircraft. Moreover, the Saudis want to upgrade the F-15s that the United States has previously supplied. Among the modifications that they want to obtain are multiple bomb racks, to give the planes a strike capability, and electronics upgrades. Should the United States provide these improved F-15s to Saudi Arabia, it would give Arab forces fighter aircraft superior to the best available to Israel. This would be a significant step towards undermining the qualitative superiority that Israel relies on to offset the overwhelming Arab quantitative advantage.

Iraq, since 1980, has expanded its military forces far more than any other Arab nation. Recent information indicates that the Iraqis may now have 1,000,000 men under arms, organized to about 40 combat divisions. By comparison, in 1980 they had less than half as many men, including reservists and members of the paramilitary Popular Army, and only 12 combat divisions.

This vast expansion has been made possible by substantial arms purchases. The U.S. Arms Control and Disarmament Agency reports that between 1975 and 1983 Iraq imported over $20 billion worth of weapons. This pace of procurement continues today. According to the Department of Defense, Iraq received Soviet weapons worth $2.5 billion in 1984. Only last year, Iraq became the first country outside the Warsaw Pact to receive the Su-25 Frogfoot fighter, a plane of the same class as the American A-10.

Overall, what we have is a pattern of accelerated Arab buildup while Israel substantially cuts its forces.

Mr. Chairman, we are all proud of Israel's achievements, but realistically it is impossible to have this combination of trends without a diminution of security. Israel's margin of safety is, inevitably, reduced by the austerity measures it is being forced to take.

And so I come before you to ask that you take these very serious risks into account when you consider the level of aid to Israel for FY 1987. What this Committee does will have a very real and direct impact on Israel's security, in a situation where there is much less room for error.

Let me sum up, Mr. Chairman, the conclusions of my testimony. Our aid to Israel is always a wise investment, because Israel is our one democratic friend and most reliable ally in a critical region of the world. But this year, aid to Israel is particularly important, for two reasons. First, to prevent any further erosion in Israel's narrow margin of security, in a situation where it forces have been cut while those of the Arabs are rapidly growing.

The second reason aid is particularly important this year is to stay the course on the recovery program for the Israeli economy. This is no time to reduce our effort, just when success is in sight.

However, we all understand the constraints of the Gramm-Rudman-Hollings environment and its implications for foreign aid. Israel, in recognition of this reality, acted as a responsible partner in the foreign aid process by returning $51.6 million to the U.S. Treasury this past January despite its own economic pressures.

Mr. Chairman, we thank you once again for this Committee's strong friendship toward Israel, and we thank you for this opportunity to explain the importance of aid for FY 1987.

WEDNESDAY, FEBRUARY 26, 1986

THE WALL STREET JOURNAL

Israel Has Made Aid Work

By Stanley Fischer
And Herbert Stein

Israel is the largest single recipient of economic aid from the U.S. This is partly because the economic stability of Israel is uncertain and is important to U.S. national interests. Therefore a report on the progress of the Israeli economy is relevant to policy decisions to be made here.

A common view, supported by some experience, is that the availability of foreign aid prevents the recipient country from taking the steps required for its own economic health. The story of Israel suggests that there may be exceptions to this dismal lesson.

On July 1, 1985, Israel introduced a radical stabilization program designed to bring the inflation rate down from 1000% to 20% a year or less. Success was swift. Within two months inflation was down to less than 4% a month; in November and December 1985 it averaged only 1% a month. But there is still a long way to go before success is assured.

The Israeli inflation rate rose by stages from 2% per annum in 1967-70 to the 1000%-per-annum area at the end of 1984. The pattern was for an inflationary shock to kick the inflation rate up to a new plateau, at which it stabilized before the next shock.

Underlying the Israeli inflation were massive budget deficits averaging 15% of gross national product for more than a decade, fueling, and fueled by, a fast-growing national debt and rapid monetary growth. At the heart of the government's budget problem is defense spending of 25% of GNP. Despite large-scale U.S. aid, the government found it increasingly difficult to borrow at home or abroad in 1984 and 1985, and was forced instead to print money. More than anything else, it was the difficulty of borrowing that forced the government to undertake the stabilization program.

Three Policy Positions Argued

Widespread indexation of assets and of wages made living with inflation tolerable. As inflation persisted from 1979 to 1983 in the 100%-130% range, Israelis explained to foreigners that they had found a way of living with high but non-exploding inflation.

Three policy positions were argued during this period. A first group was willing to live with inflation. Another group wanted steady disinflation through gradual reductions in the budget deficit and money growth. A third, shock-treatment group argued that only a comprehensive program designed to move the economy immediately to a sustainable low inflation equilibrium could succeed.

The living-with-inflation group evaporated as inflation hit the 20%-a-month range in 1984.

Tough anti-inflationary policy was widely expected from whichever party won the July 1984 election. But it failed to materialize. The election led to a coalition government that took nearly three months to form.

The first stabilization program of the new government was a package deal with the Histadrut (national trade union organization) and employers whereby wages and prices would be frozen for three months. However, devaluation continued. The planned 1985/86 budget had sharply cut the deficit, but with the government spending increasing amounts to maintain the prices of subsidized goods, the deficit did not fall. Nor were other planned cuts in government spending implemented.

By April and May of 1985 the package deal had fallen apart and inflation was back to the 400%-per-annum area. The balance-of-payments deficit had been reduced from its 1983 level, but foreign-exchange reserves were falling rapidly as Israelis switched into dollars. The government budget deficit was at an unsustainable level and the need for action was clear.

By this stage the comprehensive approach was the only choice. The aim would be to move the government budget, monetary and exchange-rate policy, and wages and prices all at once to a new, sustainable level.

Israeli Inflation 1985

% per month

Jan.-May	11.3*	Sept.	3.0
June	14.9	Oct.	4.7
July	27.8	Nov.	0.5
Aug.	4.0	Dec.	1.5

*Average

The essential requirement for the stabilization was a sharp reduction in the budget deficit. Without that, no amount of wage and price controls, sophisticated exchange-rate management or clever monetary policy could do more than temporarily slow the inflation.

The program had three main ingredients:

- A cut in the budget deficit from 17% to 8% of GNP. The cut came mainly through subsidy reductions.
- A large devaluation to be followed by a stable (though not formally fixed) exchange rate against the dollar.
- Introduction of wage and price controls and suspension of wage indexation and other elements of existing labor contracts by emergency decree.

In support of the program, monetary policy would control the growth of credit.

The devaluation and lifting of subsidies caused a 28% jump in the price level in July. Wage earners were not compensated for most of the July inflation, with the result that the real wage fell about 20%.

The government's main fear about the program had been that it would create massive unemployment. Economists argued that a reduction in the real wage and devaluation would prevent unemployment and allow a switch of production into exports. The knowledge that a requested supplementary U.S. aid package of $1.5 billion over the next two years was likely to be granted within a few months encouraged the government to act decisively, in the belief that it would have a safety net of reserves and resources to use to increase employment if things went badly wrong.

Immediate results of the plan have been positive. The data show the inflation rate coming down fast. In January 1986 the consumer price index declined 1.5%. The budget is doing even better than expected as the reduced inflation increases real tax revenue (tax receipts previously lost much of their value by the time they were collected). The trade balance has maintained the improvement that began with the maxi-devaluation at the end of 1983. The black-market exchange rate, which had been at a premium of 25%, has fallen to 5%. Price controls have not yet produced serious shortages.

Although labor objected bitterly to the use of emergency decrees to suspend contract terms, a new voluntary wage agreement was reached after remarkably little strife. The agreement allowed the real wage reduction of July to go through, but maintained partial indexation and provided for nominal wage increases of 4% a month from December 1985 to February 1986.

Monetary policy during the first months of the stabilization was strongly contractionary. The nominal interest even in October was still 13% a month, implying an annual real interest rate of more than 100%. Several large firms are in financial difficulties. The nominal interest rate was brought down rapidly in November and is now 5% a month.

Contrary to fears, unemployment rose only briefly in July and August, and has started back down again.

So far, then, the plan is a total success. Public approval for the economic policy, despite the immediate hardships it has caused, is widespread.

Prospect of Inflation-Rate Rise

Nonetheless, serious difficulties remain. The first is that the government budget deficit is still too high. At 8% of GNP, it cannot be financed without increasing debt or printing money too rapidly. Yet the government finds it increasingly difficult to cut spending. Because government revenue in Israel is near 50% of GNP, the tax burden is too high and taxes should be cut. But without further spending cuts, taxes cannot be cut. Further spending cuts are thus a high priority.

The wage agreement will raise nominal wages at least 17% over the next three months. Unless the government finds a way of neutralizing that increase, the price level will rise as business costs increase. Price controls cannot contain such pressure, and in any event cannot be successfully maintained over long periods.

The prospect is that the inflation rate will rise back to the 3%-4%-a-month rate by the end of April, unless the government finds a way of dealing with the effects of the planned wage increases. There is no way of doing so without further budget-deficit reductions. From 3%-4% a month inflation, the trip to 10% a month is easy, especially for an economy that has been that way before.

Budget decisions of the next few weeks will show whether the coalition government can bring itself to the measures now needed to protect the gains achieved by its decisive action of last July.

Mr. Fischer is an economics professor at MIT and Mr. Stein is a senior fellow at the American Enterprise Institute and a member of the Journal's board of contributors. Both are consultants to the U.S. State Department on the economy of Israel.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

THEODORE D. MOSER, INTERIM DIRECTOR, INSTITUTE FOR INTERNATIONAL DEVELOPMENT, INC.

Mr. McHUGH [presiding]. I think we should reconvene. I am sure our Chairman will be along. Our next witness is Ted Moser, the Interim Director of the Institute for International Development, Inc. Please proceed. Thank you for being here.

Mr. MOSER. Thank you for the opportunity to speak today.

In the milieu that is going on in the international development field today, the various forces that are converging, the Reagan Administration's emphasis on private enterprise, the Congress' continuing support and this Subcommittee's support of private voluntary efforts, the Gramm-Rudman Bill, decentralization at the Agency for International Development for program authority and funding out to the field levels, and in that whole milieu today, I have come to you as a person representing a program which I think is working and a number of programs like it are working and stand a good chance of prospering despite the cutbacks we have been seeing in Government funding. They are so much in line and consistent with the kind of priorities that are merging in our development policy today.

I serve as Interim Director for a U.S. private non-profit agency called the Institute for International Development. IIDI has been an AID/Washington grant recipient for the last twelve years and is one of the leading agencies in the field of small enterprise development overseas.

While my testimony will draw on IIDI's programs, it is representative as well about the programs of a number of other agencies in this same field, specifically Axion International, Pan American Development Foundation, of which you are very familiar, I am sure.

IIDI's philosophy and program revolves around the entrepreneur in the developing world. As I sat and listened to one of the former witnesses talk about the need today in Haiti to develop the enterprise sector, especially at the grassroots level as well as listening to the Director of UNICEF talk about the need to save children's lives, I was reminded once again of the importance of micro-enterprise development.

There is a real difference in the developing world between the kind of hungry child we see in a typical magazine ad in the United States pleading for our assistance, and the healthy child. It is simply that the healthy child's dad or mom has a job and is able to support him or her. That is the only difference.

In trying to get a job creation among the poor of these countries, we have to deal with the entrepreneurs. They are the ones who create 80 to 90 percent, the cottage industries create that amount of new jobs in these countries.

The programs that IIDI runs are not scaled toward every entrepreneur, just the ones that are too low on the economic scale to be served by commercial banks. Not every business, but the ones that have specific social benefits involved with them.

The key point I would like to make is that we don't just do the micro-enterprise development work. What we are actually doing is establishing a non-profit infrastructure in these developing countries, we are establishing indigenous private voluntary agencies that have their own identity, their own independent policy making ability, which are doing this micro-enterprise development and we are in essence setting up the structure that is going to be needed in years to come to develop the private sector at a grassroots base in these countries.

Last year through the agencies that IIDI has developed, we started up or expanded 1,400 small businesses among the poor. Included with that was management training, 8,000 consulting visits to these loan recipients that we loaned money to. When we are talking about loans, we are talking $500 to $10,000 at a crack.

The combination of job creation and the loan receiving that went on is going to help support more than 15,000 men, women and children through private sector development.

Just as important or more importantly, of those ten PVOs we have developed, eight are now out on their own, independent and growing without our financial assistance. They are actually viable organizations within their countries that serve as channels for U.S. foreign aid from this point on.

Given that background, what I would like to do is make four comments on how that relates to the environment that we are in today in terms of our foreign policy.

The first is that the development of this kind of a program is able to mobilize two private sector groups that haven't been mobilized in the past in the support of international development. One is the U.S. business community. It makes much more sense, I have found, to an entrepreneur in the United States, a corporate executive, rather than giving money and watching it be spent and disappear, if he sees it is put into a revolving loan fund that creates a job and works over and over again, he can relate to that. He can relate to the first time he got his $5,000 loan to get started in business.

We can bring in a group that often has regarded foreign aid with a good amount of suspicion, as to its viability and credibility and actually generate excitement about that.

IIDI was brought to this Committee's attention through Congressman Porter who had a number of executives on this Committee, responding very enthusiastically. I think it caught his eye because he knew how hard it was to develop a constituency here in the United States for foreign aid, especially in these times of cutbacks.

A second point is the second group that can be mobilized is actually the business community in the developing world. There is not a strong tradition of voluntary service and PVO activity in the developing world, especially among the elite. As we develop nonprofit agencies, to draw on the local business community to be the directors and donors, we are for the first time getting people involved with a notion that they are actually responsible for the poor within their own country. They do not lack resources in many cases, but there hasn't been that kind of tradition that we are used to here in the United States, that attitude.

As one example, in the Philippines, a country we have all been reading about a lot lately, IIDI's agency there, the volunteer business people that serve on the Board, they go out and visit every project that they make a loan to in the slums. We are talking about very successful business people. They personally guarantee loans when the entrepreneur who comes to them was dirt poor, as a viable business opportunity, that can't put up the collateral.

I think we are seeing for the first time a change in attitude that could lead to many other positive developments in these countries.

That is the first point I would like to make; this kind of program can actually mobilize groups that haven't been key business groups.

The second point is that the development of these non-profit agencies in the developing world offers a cost-effective alternative to government aid. The agencies we have developed are able to create new private sector jobs for every $1,000 to $1,500 they lend out, which is an extremely cost-effective rate. They get back 80 to 90 percent of their money.

I think in comparison to government sponsored programs, you have the problems that we have read about in the past, inefficiency, high overhead costs, siphoning of money, corruption in the middle of it. I think the development of private agencies that can offer an alternative channel is really one way to go, especially in times of dwindling public funds, when we have to find out how can we make the biggest impact for the limited monies we have.

The third point I would like to make is that these indigenous groups offer to decentralized AID viable channels, as the program authority and funding authority is being shifted consistently to a greater level out to the field. The PVOs become useful channels just like we have local channels here in the United States in these countries.

The last point I would make is that to develop this kind of program here in the United States, it still regards a certain amount of grant funding, although I realize everyone's grants are being cut. As private enterprise development has grown in popularity as an approach, the notion has grown that it doesn't take grants to make it happen. You can lend the money, U.S. institutions, you can invest it. The PRE Bureau can do these kinds of things and private enterprise happens.

The reality is you cannot make an institution-building program work that can actually get down to the grassroots through an investment or a loan here in the United States. IIDI's program as the other programs, are funded out of the FVA/PVC Office, the Private Voluntary Organization Office, through grants.

I think in our rush to focus on private enterprise development, we shouldn't have our focus clouded. We shouldn't go without realizing that that grant source is a key source to continuing the development of these non-profit agencies overseas. They really do offer cost-effective private enterprise development at the level that we are interested in having happen.

[The prepared statement of Theodore D. Moser follows:]

TESTIMONY BY

THEODORE D. MOSER
INTERMIN DIRECTOR

BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS

OF THE HOUSE APPROPRIATIONS COMMITTEE

APRIL 10, 1986

Mr. Chairman:

Thank you for the opportunity to speak today. I come before the subcommittee as a person who is concerned for the future of the developing world and who is encouraged by an approach to foreign aid that is consistently providing help and hope to the hard-working poor in developing countries.

I serve as Interim Director for a U.S. private voluntary organization called the Institute for International Development, Inc. (IIDI). IIDI has been an AID/Washington grant recipient for the past twelve years and a leading agency in the field of small enterprise development overseas. While my testimony will draw on IIDI's programs, the comments I make about U.S. policy and development could also apply to a number of other PVO's who are pursuing micro-enterprise development.

IIDI's philosophy and program revolves around the entrepreneur in the developing world. Not every entrepreneur--but those who are too low on the economic scale to be served by the commercial banking sector. Not every business--but those which have high social benefit potential in terms of new jobs created, services offered, and the development of a trained labor force.

IIDI's methodology is to build self-reliant, private voluntary organizations within the developing world. These indigenous PVO's provide credit and management training to existing or aspiring entrepreneurs among the poor majority. These PVO's are directed largely by business executives from indigenous church networks.

Since 1979 IIDI has developed ten PVO's in countries of Latin America, Asia, and Africa. Eight of them are now self-reliant. IIDI is starting another four new PVO's in 1986.

In IIDI's last program year, these indigenous PVO's helped to create or expand 1,379 small businesses. They held 57 management training seminars and made 7,791 on-site training visits to loan recipients. Counting the families who received loans and those who will receive new jobs, the programs of IIDI's indigenous PVO's over the last year should help support more than 15,000 men, women, and children through income generation.

Given this background, I would like to make four observations on IIDI and PVO's like IIDI in light of U.S. foreign aid policy.

1. The development of private voluntary foreign aid efforts has been a priority for Congress and for this subcomittee in particular. IIDI's program mobilizes two key volunteer groups -- both of them important to the future success of foreign aid -- who have not traditionally been supporters or activists in the aid process.

   The first group is American business executives. This group has traditionally stereotyped foreign aid as a government give away effort that is a band-aid approach to the problem. However, I have found strong support for IIDI's foreign aid approach among corporate executives and entrepreneurs alike. Their support includes financial contributions, but goes beyond that as well. One Chicago executive who traveled with our Chairman of the Board last summer on a trip to IIDI's agency in Honduras recently took a leave of absense from his company to volunteer with the agency in Tegucigalpa.

   The important point for this subcommittee is that business support of IIDI's programs is transfered into a positive attitude toward U.S. foreign aid when these executives learn that our government supports IIDI financially as part of its foreign aid program.

The second key group which IIDI's program can mobilize is the business community within developing countries. There is not a strong tradition of voluntary service and PVO activity in the developing world. However, we have found that Third World business executives do become deeply involved in helping the poor of their country through the indigenous PVO's established by IIDI.

One example: the board of directors for IIDI's Philippine agency is composed of some successful Filipino entrepreneurs. Each board member regularly visits businesses of loan recipients, located in the slums of Manila, in order to apply their own business expertise to the loan recipients' problems.

Another example: a group of Costa Rican business executives form the credit committee which review and approves all loan applications to the Costa Rican PVO which IIDI has developed. These executives -- including persons such as the Vice President of the national stock exchange -- meet for a working lunch on a regular basis to review loan applications.

The key point to understand here is that a change in attitudes among the developing world's business community -- one that takes responsibility for the plight of the poor -- will eventually lead to other changes that foster development.

2. In an era of decreased foreign aid funding, indigenous PVO's stand out as cost effective channels for delivering aid to the poor. IIDI's agencies create new private sector jobs for every $1,000-$1,500 they lend. That kind of efficiency is a far cry from most government sponsored enterprise development programs in the developing world. Furthermore, by providing a direct channel to the grass roots, indigenous PVO's can avoid the corruption and siphoning of aid money that has plagued bilateral government funding.

3. The creation of indigenous PVO's complements AID's decentralization of program and funding authority to the AID mission level. Each AID mission needs competent indigenous PVO's through which it can fund programs if it is to have an alternative to bilateral government funding. While AID missions can use indigenous PVO's after those agencies have been established, they do not start such agencies. This is where programs like IIDI's are needed. Agencies like IIDI do the risky work of creating indigenous PVO's and bringing

them to the point of professionalism in micro-enterprise development. At that point, the PVO's become useful channels for AID missions and other U.S. government aid programs.

The record shows that such a partnership is a viable proposition. Of the eight IIDI agencies that have become independent, four have entered into funding agreements with AID missions, four have entered into agreements with the InterAmerican Foundation, and one with the InterAmerican Development Bank.

4. The work of private enterprise development among the poor requires grant funding as well as loans or investments. As private enterprise development has grown in popularity as an approach to development, so has the notion that all such activity can take place without government grants. This notion holds that if private enterprise development is truly taking place, then it can be done with money that has been lent or invested -- not granted -- by U.S. development institutions.

The track record of IIDI and other PVO's like it show that there is an important place for grant-making within private enterprise development. Grants are needed in order to develop the private voluntary infrastructure that a developing country needs to support micro-enterprise growth among the poor.

Although IIDI's work is clearly private enterprise development among the poor, it does not take place through either the Private Enterprise Bureau (PRE) or through a private sector office within AID. Rather, the funding of IIDI and programs similar to it take place through the PVA/PVC office. Grants provided by PVA/PVC office are vital to this development effort.

Thank you again, Mr. Chairman, for the opportunity to testify to the committee. Our country needs to be able to demonstrate the benefits of responsible free enterprise within the developing world. It seems to me that the kind of private sector/public sector partnership which I have been describing today is the right way to start.

Mr. McHugh. Thank you very much.

How many countries is your organization involved with in developing these institutions?

Mr. Moser. We have set up 14 private voluntary organizations overseas now. Six of them we are still funding, eight of them have been able to spin off and have actually grown at a very healthy rate without our funds.

Mr. McHugh. Do you focus in any particular region?

Mr. Moser. Seven of them are in Latin America; six of them are in Asia; one is in Africa.

Mr. McHugh. Thank you very much for your testimony. We appreciate it. Unfortunately, I am going to have to go vote. We apologize for the delays and interruptions. I think everyone understands this is how this institution works. We will get back as soon as we can.

[Recess.]

Thursday, April 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESSES

CHARLES F. DEAN, PRESIDENT, COOPERATIVE HOUSING FOUNDATION ON BEHALF OF THE U.S. OVERSEAS COOPERATIVE DEVELOPMENT COMMITTEE

TED WEIHE, EXECUTIVE DIRECTOR, U.S. OVERSEAS COOPERATIVE DEVELOPMENT COMMITTEE

Mr. Obey [presiding]. Next we will hear from Mr. Charles Dean, President, Cooperative Housing Foundation.

Mr. Dean, before you begin, I think this schedule today is a little lesson in political science. It's a testimony to the brilliant judgment on timing of the chairman, because we've been told that there would probably not be a session today. So this is an indication of what happens when you believe what you're told around this joint.

But go ahead anyway.

Mr. Dean. Thank you, Mr. Chairman. I will try to be brief and maybe help you catch up a little bit.

We have two statements that we would like inserted in the record, if that's possible. One deals with the overall cooperative development work that is going on around the world, and the other deals specifically with the Housing Guarantee Program. And if we could submit both of those, then I will just summarize them very briefly.

The first point that we want to make is that we do support the $6 billion requested level, which has been called the "freeze level" for the economic aid programs this year. We recognize that cuts will be made, and so what we'd like to do is suggest that the cuts come from the public sector AID programs and not from the private sector AID programs, and our testimony outlines some of the ways that we think that even with a reduced amount of AID money, that we can reach more people and do it more effectively.

Last year, Congress passed an amendment which requires AID to report on the amount of aid that is channeled through the private sector and compare that with the amount of aid that is channeled through the government agencies around the world. That was called the Danforth-Gilman amendment, and that report is due this September.

In the meantime, there has been speculation on what that percentage is, what the split is, how much aid is channeled through government agencies and how much is channeled through the private sector. Congressman Bereuter wrote a letter to "The Washington Post" not too long ago on this subject, and he used a split of 80 percent of all AID bilateral programs going through government agencies and about 20 percent going through private channels.

The point that we want to make is that it's the channeling of aid that's important. It's the process of how aid goes from the American taxpayer to AID Washington here and down to the target, which Congress and the Administration agrees is to get at the problems of the poor people in Haiti and the Philippines and other places.

For almost 20 years or for the life of AID, they have had a dilemma that isn't really, I don't think, debated or discussed as much as it should be, and the dilemma is that in most developing countries, there is an attitude that the problems of the poor are government problems, and they should be solved by government. And the private sector is divided into several categories, but normally when people talk about the private sector, they are talking about the formal for-profit private sector—the savings and loan institutions and housing, the banks, and regular businesses.

The private sector in developing countries doesn't have an economic incentive to work at the very low levels with poor people. And so now we keep hearing a word, "privatization," and that has to do with shifting more aid to the private sector. But I'd like to go back to how aid is channeled. If aid is channeled through the government, and if the private sector in developing countries simply participates, and for years that's been the word—when Congress asks why don't we do more with the private sector in our aid programs, the answer is always, yes, we do. The private sector participates. If it's housing, a private builder builds the housing. But what is not clear is that the channeling of funds, when it goes through a number of layers of government agencies, it comes out differently than if it's channeled through the private sector.

So the Danforth-Gilman amendment gets at that issue, how aid is channeled.

Attached to our report is a chart as Attachment No. 1, and it really can serve as a summary of our whole testimony and the main theme of the cooperative organizations, and it's been a theme of ours for many years. We've testified——

Mr. OBEY. What page is that on?

Mr. DEAN. That's Attachment No. 1. In fact, we even have a colored version here for you, a little larger scale.

And basically what this illustrates is that—this pyramid is to illustrate the economic distribution in a typical developing country. There are no numbers here, but we can give you numbers.

But basically on the righthand side, we are showing the income distribution pattern in urban areas, and the median income is indicated by this line here [indicating]. And so the target for aid programs in urban areas, by definition of a lot of legislation, is below that line.

On the lefthand side, we are showing the distribution in the rural population, and it's a little different curve, because there are a lot more poor people in rural areas. And here is there income going up this way [indicating]. If we went to Central America, that median income line in Honduras in urban areas would be $400, and so half the people in urban areas make less than $400. On the other side, if it was rural in Honduras, you're probably down to $75—a month is what I'm talking about here.

So the dilemma that we are trying to illustrate by this chart, but also what we think is part of the answer, is that more aid should be channeled through the private sector channels, as indicated on this side, and less aid channeled through the government.

Now on the chart here, we're showing 25 percent currently going through private sector channels and 75 percent through government.

The chart doesn't quite indicate it, but the last block here, as the money flows down to local governments, from there it often goes to a private sector group. The cooperative organizations that we work with, the rural electric co-ops, the farm co-ops, the housing co-ops, currently and for years have been working with housing co-ops for poor people in developing countries, but when the money comes through the government Ministry of Agriculture or a government agency, those co-ops are not as independent. They don't have the control by the members that they should have.

And on each side here, we've listed some of the advantages and disadvantages, but the advantages on the public channels, and there are some, from AID's point of view, they can handle large, macro-type projects. It's easier to manage a $100 million loan or a $50 million loan than it is these small amounts that these other groups need.

There are political advantages in some countries. The new government in the Philippines, if we want to support that government, we might want to make it go through government channels there. But not exclusively. If we want to support grassroots development, it should go the other way.

And just to summarize here, what we believe is that on this side of the chart, that these organizations—not just cooperatives, but there are non-profit development foundations. The previous witness talked about creating jobs out in the squatter settlements. We know and work with some of those groups. There are also small profit-making businesses in the informal sector down here that need a lot of help, and they are getting that.

Thank you for giving me this time, Mr. Chairman.

[The prepared statements of Mr. Charles F. Dean follow:]

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A PRIVATE SECTOR COOPERATIVE DELIVERY SYSTEM FOR US FOREIGN ASSISTANCE

STATEMENT BY CHARLES F. DEAN,
PRESIDENT, COOPERATIVE HOUSING FOUNDATION (CHF)
ON BEHALF OF THE
U. S. OVERSEAS COOPERATIVE DEVELOPMENT COMMITTEE (OCDC)

PRESENTED BEFORE THE
HOUSE OF REPRESENTATIVES
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON FOREIGN OPERATIONS

April 10, 1986

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SUBCOMMITTEE ON FOREIGN OPERATIONS

April 10, 1986

Mr. Chairman, first I want to thank you on behalf of OCDC for giving us this time to share our views with you on the US Foreign Assistance Program. We presented testimony before your Subcommittee last year. You may recall that the OCDC is made up of 19 US cooperative organizations involved in overseas cooperative development. They are listed on our letterhead and together they serve more than 85 million Americans.

The main point that we would like to make in our testimony today is that we are in favor of the Administration's request for funding at the freeze level of about $6 billion for the economic assistance program. However, if reductions are going to be made, we have some ideas on how US. foreign assistance can help more people, even at reduced levels.

1. CHANNEL MORE AID THROUGH THE PRIVATE SECTOR

We believe reductions should come from the public sector programs rather than the more efficient and effective private sector AID programs.

Last year Congress passed the Danforth-Gilman Amendment which mandates a study from AID on the amount of US foreign assistance which is actually channeled through the private sector compared to that channeled through government agencies in developing countries. The report is due this September. However, preliminary information indicates that approximately 75 percent of all AID funds are channeled through public sector government agencies with only 25 percent flowing through the private sector.

We recognize the difficulties in channeling money through the private sector. In some countries, the government agencies are all pervasive, and it is practically impossible to channel funds in any way except through government agencies. However, in other countries there are opportunities to channel funds through the private sector, or at least to greatly minimize the role of local public sector agencies in implementing projects.

In most developing countries, there is an assumption that problems of the poor must be solved by the government. This same attitude is common among officials of the World Bank and the United Nations. In the past, it was also common within AID.

We have testified for a number of years in favor of channeling more aid through the private sector. We are especially pleased with the recent progress by the Administration and the Congressional interest to increase private sector AID programs. We believe this action is long overdue. It has always seemed strange to us that a country which is based on private free enterprise should channel so much of its aid into the public sector agencies in Africa, Asia and Latin America.

The government bureaucracies in developing countries continue to grow in spite of chronic problems, while truly productive private sector entities have difficulty obtaining credit and much-needed technical help. Channeling more AID through the private sector will produce more efficient programs which reach lower income levels and will result in greater numbers of people benefiting from each AID dollar spent.

2. LACK OF ABSORPTIVE CAPACITY IN PUBLIC SECTOR

Another reason why we need to try harder to work with the private sector is that many government agencies in the developing countries simply don't have the absorptive capacity to receive large loans from international agencies, such as AID and the World Bank, and to use these funds efficiently to help the poor. It is common to find past loans and grants from international agenices backed up in the pipeline of the public sector agencies around the world. This is a chronic problem which has been recognized for more than 20 years by people working in development.

There is often confusion in the minds of the public between the need for foreign assistance funds and the ability of countries to absorb funds. The African famine relief efforts provide a dramatic example of the public and private outpouring of funds, yet an inability by host governments and development agencies to implement projects that offer a quick solution to intractable problems of hunger and poverty.

There are also examples where this lack of absorptive capacity is an obstacle in providing assistance which is needed to support US foreign policy objectives in certain countries. The Kissinger Commission on Central America recognized this problem and recommended that more AID be channeled through private organizations to increase this absorptive capacity of that region. Part of the answer to this problem is to strengthen local private sector organizations which work with the poor to increase the overall absorptive capacity. This will lead to more efficient use of whatever US funds are available for assistance.

3. THE DILEMMA WITH PRIVATE SECTOR FOREIGN AID

Under the direction of M. Peter McPherson, AID has greatly increased its private sector programs. They established the Private Enterprise Bureau (PRE) and are beginning to increase the percentage of aid which is channeled through the private sector. They are far ahead of the multi-lateral programs of the World Bank, most Regional Development Banks, and the United Nations, which still channel almost all of their funds through government agencies.

Nevertheless, AID does face a dilemma in trying to reach poor people through the private sector as illustrated on the attached chart. The income distribution pattern shown on the chart is typical of most developing countries. The profit making private sector generally provides goods and services for upper income people near the top, and it is expected that the public sector will help the people at the bottom. As a result, AID funds have historically flowed through these public sector agencies to help poor farmers and provide services for the urban poor.

The current dilemma is that AID wants to help the poor through the private sector, and there are not enough strong private sector local institutions which can receive AID funds and use them effectively. There is also a natural resistance by many national governments who don't want to lose political control over the AID funds.

However, in many countries there are cooperative and other private sector organizations working at the lower income levels, and AID is increasing its support for these groups. There is also an "informal," profit-oriented private sector which operates in the squatter settlements and rural villages which is often not considered part of the economy. Nevertheless, thousands of small businessmen carry out a wide range of activities providing everything from bananas at a fruit stand to a small contractor building simple houses in the squatter settlements. AID and other international agencies are now discovering this informal private sector, and they are beginning to find ways to support its expansion.

These private organizations are performing functions that are in demand by society and, until now, have normally been considered functions of the state. The general frustration with the government's inability to provide these services have led to the establishment of more and more non-governmental organizations. In recent years, some international organizations have found ways to channel funds through these groups. Excellent examples are the newly-established African Development Foundation (ADF) and the Inter-American Foundation (IAF). The IAF has been working quietly throughout the Western Hemisphere providing funding for a wide range of private organizations who have one thing in common - they work for social change along with economic development. Many European organizations, such as Oxfam from Britain, and Misereor from Germany, also channel their funding through these private groups.

An excellent example for US cooperatives is the recent $10 million grant by AID to the Cooperative Housing Foundation (CHF) for shelter improvement and jobs in six countries of Central America. CHF will directly reach 100,000 poor people by packaging hundreds of small projects implemented entirely through the private sector.

A recent book on Latin America, titled Getting Ahead Collectively, by Albert Hirschman, describes these grassroots private organizations in some detail. He states that "The mainspring of these private initiatives is not the 'conscience of the educated and the rich' as was the case in Western Europe and North America before the advent of the contemporary Welfare State, but a combination of social activism at the local and national levels, inspired by a great variety of ideologies, with the conscience of some of the rich countries at the international level."

These private organizations are also having a strong political effect. Their collective action at the grassroots is normally in a very democratically-organized system, especially among the cooperatives. The grassroots organizations flourish in countries where politics are more pluralistic, such as Columbia, Peru and the Dominican Republic. Conversely, they have more difficulty working under repressive governments such as those in Chile and Nicaragua.

4. A PRIVATE-SECTOR COOPERATIVE DELIVERY SYSTEM

US Cooperative Development Organizations (CDOs) are helping to establish a private sector delivery system for US foreign assistance. Although their main goal has always been to mobilze local financial and human resources, they have helped to establish efficient private sector organizations in many developing countries which are capable of receiving loans and other forms of external assistance and using them effectively to help low income people. These include non-profit cooperative federations as well as cooperative-type trade associations which help small, profit-making businesses and farmers.

In order to further strengthen these private groups, there is a need for credit in the range of $100,000 to $1.0 million. The problem is that these amounts are too small for AID to consider as individual loans, and it is simply not efficient for AID to process and administer large numbers of small loans of this type. Cooperative systems supported by American CDOs can help "package" such programs and then provide technical assistance and monitoring to help in the delivery of such US foreign assistance funds.

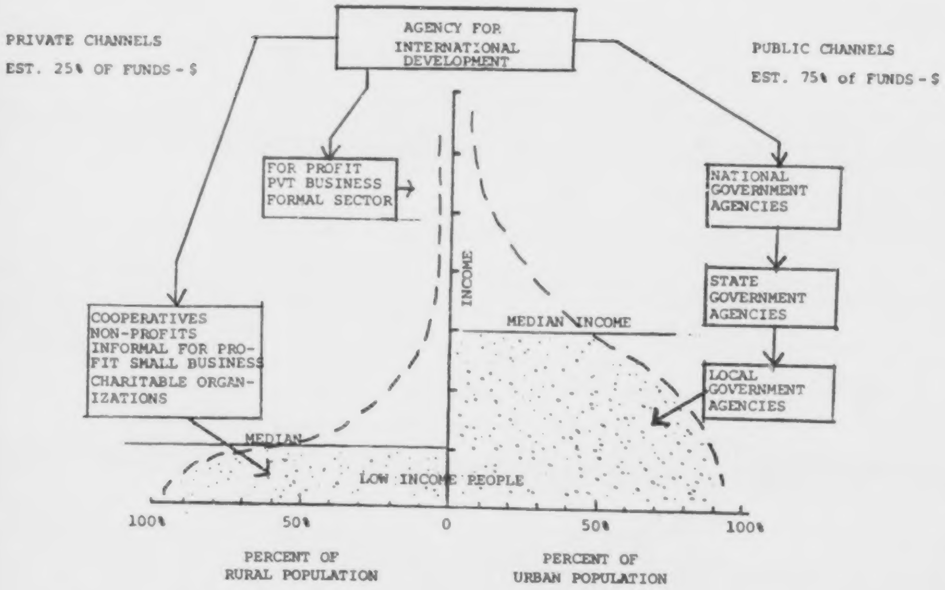
5. EXAMPLES OF PRIVATE SECTOR COOPERATIVE PROGRAMS

Attachment #2 provides nine examples where US cooperative organizations have helped to provide private sector channels for AID funds to reach the poor people in developing countries. We have numerous reports which provide more details on these examples and thousands more. However, the best way to learn about these programs is to see them first hand. We hope you and your Committee members will visit these types of private sector projects when you travel.

Thank you.

ATTACHMENT #1

ALTERNATE CHANNELS FOR REACHING THE POOR WITH US FOREIGN ASSISTANCE


PRIVATE CHANNELS
EST. 25% OF FUNDS - $
AGENCY FOR INTERNATIONAL DEVELOPMENT
PUBLIC CHANNELS
EST. 75% of FUNDS - $
FOR PROFIT PVT BUSINESS FORMAL SECTOR
NATIONAL GOVERNMENT AGENCIES
STATE GOVERNMENT AGENCIES
LOCAL GOVERNMENT AGENCIES
COOPERATIVES
NON-PROFITS
INFORMAL FOR PROFIT SMALL BUSINESS
CHARITABLE ORGANIZATIONS
INCOME
MEDIAN INCOME
MEDIAN
LOW INCOME PEOPLE
100%
50%
0
50%
100%
PERCENT OF RURAL POPULATION
PERCENT OF URBAN POPULATION

PRIVATE CHANNELS

ADVANTAGES

- Commitment to working with poor (except for-profit formal businesses)
- Lower costs/more efficient delivery system
- More democratic participation

DISADVANTAGES

- Formal for profit businesses lack economic incentives to work with poor
- Coops and non-profits need subsidies to work with high-risk projects of very poor
- Difficult for AID to process and monitor many small projects

PUBLIC CHANNELS

ADVANTAGES

- Large-scale "macro"-level projects are easier to manage
- Politically attractive in some countries
- Policy reform potential
- Supports needed government infrastructure and services such as education and public health and research.

DISADVANTAGES

- Red tape
- Slow implementation
- Rapid turnover of staff
- Low salaries and low skilled people
- Financial and political corruption
- Lack of absorptive capacity

ATTACHMENT #2

Examples of Private Sector Cooperative Programs in Developing Countries

1. Agricultural Cooperative Development International (ACDI)

A project in Tonga in the South Pacific, undertaken by ACDI, is helping to rebuild the cooperative federation. Previously, the only commercial activity of the federation was vanilla marketing. The federation had losses of $63,000 and a capital deficit of $33,000 when the ACDI project began in 1981. Through technical assistance and the provision of a US manager, the federation has been strengthened and new economic activities undertaken. The cooperative became a truly private sector organization in contrast to the usually paternalist government-sponsored organizations common in these island states.

The US technical assistance resulted in expanding the cooperative's activity in the wholesaling of goods to members which increased from sales of $20,000 in 1981 to $3.6 million in 1985. The net savings of the cooperative, before patronage dividends, went from $10,000 to $112,000 for the same four year period. Thus, a self-sustaining business has been built which is now being run entirely by the Tonga Board of Directors and management. The cooperative is benefiting 250,000 island residents and businesses. In addition, new activities for agriculture and fishing have been started. A new cooperative, the Friendly Islands Marketing Cooperative, has been formed which is now receiving AID assistance and ACDI technical help to market handicrafts, fish freezing and marketing, and vanilla processing and marketing.

2. Cooperative Housing Foundation (CHF)

In Central America, CHF is completing the first year of a unique new program to help provide shelter, community services and employment to poor people in urban squatter settlements and rural villages. CHF is serving as a private sector channel for a $10 million AID grant which CHF in turn is using to create permanent revolving loan funds in six Central American countries: Guatemala, Honduras, El Salvador, Costa Rica, Belize and Panama. Loans are being made to private sector, non-profit organizations such as credit cooperative federations, housing cooperative organizations and private development groups working with shelter, community services or employment-generating programs. The objective is to use the AID grant funds to "leverage" local resources and also to provide an alternate private sector channel for external funds.

The program has the support of national governments in each country and of USAID Missions. Project selection, development and implementation is the responsibility of CHF and local, private sector organizations. The program is moving very quickly and more than $3.3 million of loans have been approved during the last few months. Commitments for local cash contributions of over $1.3 million have been obtained and in kind contributions of land, labor and materials total more than $2 million.

Projects have been identified and funds disbursed in a very short period of time. In El Salvador, for example, CHF has identified a number of small projects for very low income people in small towns outside of the capital. The projects include 350 home improvement loans, which average approximately $600 per loan, through the National Federation of Credit Unions (FEDECACES). The loans allow expansion of existing housing often providing space for relatives who have been displaced by the fighting. The entire $500,000 allocated by CHF for El Salvador has now been committed, and the USAID Mission and other local sources have now agreed to provide additional funds based on the success and short time frame for the initial projects.

Similar projects are underway in the squatter settlements and rural areas of the other five countries, all through local private sector organizations. The 25 projects identified and approved to date will directly benefit more than 27,000 people with the $3.3 million of AID grant funds committed to date. This is clearly an example of the efficiency of a private sector approach which benefits many more people for each dollar spent and, at the same time, reaches a lower income group than is often the case.

3. Cooperative for American Relief Everywhere (CARE)

In Kenya, CARE is working with rural women's cooperatives to increase incomes and improve living conditions through upgrading goat production, including the introduction of cross-breeding pure and native stocks. CARE provides marketing support for goat production as well as help in planting fodder crops and training women in small business management.

The Foreign Agricultural Organization (FAO) and an international research center assist the project in the application of their research on appropriate fodders. The Ministry of Agriculture and Livestock provides seeds, seedlings, and offers extension education for fodder production. Technical management training is being provided by another US PVO, Technoserve, which has specialized over the years in assisting small farmer organizations, micro-business groups, and cooperatives.

The Kenya project is coordinated with a local non-governmental women's organization, Maendeleo Ya Wanawake, for assessing project needs and in group selection. The project reaches 134 cooperatives with over 4,000 rural women.

CARE's approach to this project demonstrates the catalytic role of PVOs to bring together international agencies, government ministries and non-goverrnmental national and local organizations into an integrated program for working with the poor.

In two other African countries, Comoros and Congo, CARE's integrated programming and presence acts as a substitute for an AID office which, because of US government personnel and operations budget reductions, cannot be economically maintained in these small, but poor, countries.

4. Cooperative Insurance

In most developing countries, insurance is controlled through a government monopoly or large private companies which serve only the upper income public. In contrast, cooperative insurance - often operated through credit union and cooperative federations - provides a non-governmental way to reach lower income people. League Insurance Companies, CUNA Mutual Insurance Group, MSI Insurance Group of St. Paul, Nationwide Insurance Group, and two insurance cooperatives of Puerto Rico are providing training and technical assistance to build financially-viable and self-sustaining cooperative insurance companies in Latin America and the Caribbean. Most of the resources for the program are provided by these US cooperative insurers, and AID is providing modest matching funds.

The benefits of cooperative insurance are important because they address the needs of low income people, accumulate capital which, in turn, is used for developmental activities and protect cooperative assets and economic activities, allowing an expansion of services to cooperative members.

An example of this non-governmental approach is UNACOOP in Costa Rica which provides insurance services to 40 cooperatives as well as to the coffee growers cooperative and credit union federations. It is the only non-governmental insurance agency permitted to operate in the country.

The AID-assistance through US insurance companies is attempting to demonstrate that a cooperatively-based company can be technically capable of risk assumption and administering sound insurance policies. This may lead to changes in the monopoly law under consideration in the Costa Rica Congress to permit other types of private sector insurance programs to develop. Thus, the cooperatives can open the way for private sector businesses to operate.

5. Land O'Lakes

In Jamaica, Land O'Lakes is engaged in an in-country development project which uses US surplus butter and cheese. PL 480 shipments have been provided which then are processed and packaged in Jamaica and sold on the retail market. Funds from the sale of these products form the financial base of the Jamaican Agricultural Development Foundation. This is a private non-profit foundation providing loans to small families and agri-business operations which traditional lending institutions avoid. AID development funds are essential in providing technical assistance and monitoring the shipment of US dairy surpluses. It is a model in private sector development which can be replicated in other countries to spur economic development and, at the same time, draw down large surplus US government stocks of dairy products.

6. National Cooperative Business Association (NCBA)

The NCBA has sponsored a large and very successful program which reaches over two million small dairy beneficiary farmers in India. The project operates through the non-governmental National Dairy Development Board which has used the sale of 20,000 metric tons in excess US dairy commodities to help set up more than 10,000 dairy cooperatives. The US dry milk is provided during the winter months when domestic production slackens. The cooperatives can maintain an uninterrupted supply of milk to India's four major cities with a combined market of over 25 million consumers.

Due to the success of this program, a similar project, using surplus US soybean oil, is helping to create a cooperative oilseed sector which, today, is composed of 200,000 small producers. This project, with modest AID development funds for technical assistance and monitoring, along with excess US farm commodities, has broken the oilseed monopoly which was formerly controlled by 12 large Indian families and has lowered the price of vegetable oil to the Indian market. Through non-governmental channels, it reaches large numbers of small farmers in a private sector, self-help approach.

7. National Rural Electric Cooperative Association (NRECA)

In 1963, the NRECA undertook an AID-financed feasibility study for a rural electric project in Santa Cruz, Bolivia. The project resulted in the creation of Cooperativa Rural de Electrificacion, one of the largest cooperatives in South America which today serves 750,000 members. From the beginning, a sister-to-sister relationship was established with the Blue Ridge Electric Membership Corporation, located in the Appalachia region of North Carolina. Blue Ridge's history of development in a poor region parallels the Bolivian rural electric experience.

Over the years, 23 technical assistance missions have been sent to Bolivia from Blue Ridge at the cooperative's own expense. The Appalachian cooperative has received 18 training visits of board and staff from the Bolivian electric cooperative. This type of people-to-people assistance is not only effective, but brings foreign visitors to the remote town of Lenoir giving its citizens a window to the developing world.

The Santa Cruz electric cooperative was so successful in providing electric service that other cooperatives were formed for potable water, sewerage and telephone service. The municipal government recently tried to take over the cooperatives who resisted by lobbying the Bolivian Congress to change the take-over law. Unlike the municipality, which held its first election in over 40 years, the cooperatives conduct annual elections. They are governed by a voluntary board of directors elected by one vote per member. Thus, these cooperatives demonstrate both a non-governmental approach to economic development and provide an honest experience in democracy.

8. Volunteers in Overseas Cooperative Development (VOCA)

Through the help of a highly qualified cooperative volunteer, the government of Zimbabwe and AID recently provided a grant of $240,000 to the private Farmers Co-Op, composed of 4,000 "European" farmers, for the provision of technical assistance to 850,000 black farmers through their 568 farm supply and marketing cooperatives. It is a breakthrough in white and black relationships in a fragile political environment where most agricultural production continues to be controlled by large European farmers. Meanwhile, Zimbabweans, many of whom are ex-combatants, are trying to gain the rewards of their revolution through cooperatively-based economic development.

The project came about as a result of a study by Roy Wiebe. Under the auspices of VOCA, Mr. Wiebe, a former president of the Washington State Farmers Association, undertook an analysis of the warehouse system for agricultural supplies and inputs of the small farmer cooperatives. AID had assisted in the construction of the warehouses, but they were not operating properly due to a lack of technical assistance and training. Working quietly with the successful European cooperatives, Wiebe guided the proposal for collaboration of the two cooperative federations through the political thickets. His prestige and experience as a

US-cooperative CEO made the project possible. The project demonstrates the catalytic role that volunteers can play in bringing about significant government-sponsored programs, in this case, through the use of a private cooperative organization rather than a government ministry.

9. World Council of Credit Unions (WOCCU)

Credit unions are private sector cooperatives which mobilize savings and provide credit to members for provident and productive purposes. They are often the only financial institution available to low and moderate income people which the commercial banks do not reach. They are democratically controlled by their members. For example, in Lesotho, credit unions are one of only two national institutions which reach 80 percent of the population who live in rural areas. Seventy-five percent of the cooperative members are women - the mainstay of Lesotho's agricultural economy.

Banking institutions are unknown in rural areas and the credit unions are overcoming the vexing reality of substantial non-payment on agricultural credit loans. Because the tribal society is closely knit and treat one another as relatives, it is hard for a creditor to collect loans, especially when there has been a poor harvest.

This AID-assisted project directly reaches low income people through non-governmental channels. It is supported by a worldwide credit union system. Technical help is provided by the African Cooperative Savings and Credit Association, an African-wide confederation, and the World Council of Credit Unions. Credit unions provide an alternative funding approach to the usual top down government lending. Self-reliance, through savings and the collection of outstanding loans, are more evident because members own their financial institution rather than receive credit from an impersonal government bank.

Mr. OBEY. Thank you very much.
[Recess.]

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

MARIA McCREA SEGAL, DEPUTY DIRECTOR, GOVERNMENT AFFAIRS, NATIONAL ASSOCIATION OF ARAB AMERICANS

Mr. OBEY. The subcommittee will come to order.

We will now hear from Maria McCrae Segal from the National Association of Arab Americans.

Ms. SEGAL. Thank you, Mr. Chairman. NAAA welcomes this opportunity to testify before your subcommittee on the Middle East portion of the Administration's FY 1987 foreign aid request.

As the principal organization representing the three million Americans of Arab descent, NAAA wants not only to promote good relations between the United States and the Arab countries of the Middle East, but also to see that U.S. tax dollars are spent in the most effective way for the protection and promotion of U.S. national interests in that region.

Mr. Chairman, in presenting this testimony, while we generally support the Administration's requests for Arab countries, we are aware that considerable disagreement exists between members of this Subcommittee and the Administration on whether or not the Administration's request meets the budgetary requirements of Gramm-Rudman-Hollings.

It is clear that this Subcommittee intends to cut the Administration's request in order to meet those requirements.

We are concerned, however, that Gramm-Rudman-Hollings will be used to secure unwise reductions in already small aid levels for certain Arab countries, while Israel could escape cuts altogether. There appears to be a sentiment in Congress which would exempt both Israel and Egypt, the two largest recipients of aid, as well as the five base rights countries, from the reductions required under Gramm-Rudman-Hollings.

Such a decision would result in drastic reductions in aid for the rest of the countries and could eliminate some programs altogether.

Mr. Chairman, you recently observed that neither the military budget nor foreign assistance nor entitlement programs could be exempted from cuts under Gramm-Rudman-Hollings. We believe that the same principle applies to cuts for specific foreign aid recipients and that therefore Israel, Egypt and the base rights countries must not be exempted.

To be sure, we are especially concerned over the impact of a 14 percent reduction in aid to Egypt. However, the alternative appears to be at least a 50 percent—or possibly more—cut in aid to countries such as Morocco, Jordan, and Tunisia, which would have disastrous implications for U.S. interests in the region.

NAAA strongly supports the Administration's $2.3 billion request in military and economic assistance for Egypt. The aid requested is vital because of economic difficulties that Egypt is facing that are largely beyond its control. The declining worldwide price of oil has caused both a decline in Egypt's own oil revenues and a sharp drop in Egyptian workers' remittance from OPEC countries. Revenues from the Suez Canal are also depressed.

Egypt has long been an important friend of the United States, and it is vital to our interests that we continue to be responsive to Egypt's economic and military needs.

We also urge Congress to support the Administration's request of $18 million in ESF funds to improve the living and employment conditions of Palestinians residing in the occupied West Bank and Gaza.

The small aid program funding economic and social development in the West Bank and Gaza has perhaps the highest impact of any American aid program anywhere in the world.

With the assistance of AID and private contributors, private voluntary organizations operating in the West Bank and Gaza have been able to significantly contribute to the standard of living of Palestinians living under Israeli military occupation. Many of their accomplishments are in the areas of education, agricultural development and marketing, vocational training, nutrition and health care.

It should be noted that several PVOs have received greater cooperation from the Israel occupation authorities under the government of Prime Minister Shimon Peres in the Administration of PVO-sponsored projects. Unfortunately, what appear to be trends toward economic liberalization by the Peres government have been accompanied by increased Israeli human rights violations, including the use of administrative detention, deportations, university closings, usurpation of water rights, land expropriations, and an increasingly aggressive and militant settler movement.

I met the late Palestinian mayor Zafer al Masri in December of 1983, as part of a congressional delegation to Jordan and the West Bank. When asked how the United States could help improve conditions for Palestinians in the occupied territories, his response was "help us first to gain our rights to self-determination."

While U.S. economic assistance cannot be viewed as a political answer for Palestinians under military occupation who yearn for their independence, it is nonetheless an important way for the United States to demonstrate its continuing support and concern for the Palestinians of the West Bank and Gaza.

Because aid to the occupied territories is minimal, it can ill afford a disproportionate cut under Gramm-Rudman-Hollings. We would therefore welcome efforts by your Subcommittee to earmark funds for PVO-sponsored projects in the West Bank and Gaza.

NAAA fully supports the Administration's aid request for Jordan. Perhaps no other country in the Middle East has done as much as Jordan, in recent years, to promote the search for peace in the region. Jordan's ability, however, to continue as a central actor in the peace process depends largely upon the willingness of the United States to help it in meeting its legitimate and very pressing economic and military needs.

Unfortunately, the United States has not given Jordan the kind of moral and material support in recent years that it needs and deserves. The indefinite postponement, in February, of a sale of advanced fighter aircraft to Jordan was a severe blow for U.S. credibility and a setback for Jordan's security needs. The Administration's request for Jordan takes on even greater importance in light of the arms sale postponement.

NAAA appreciated the efforts of this Subcommittee last year to approve supplemental assistance for Jordan. We believe that the aid levels the Administration has proposed for Jordan for FY '87 should also be approved. We also urge that, to help compensate for the relatively low levels of aid to Jordan, assistance be extended on the more favorable concessionary terms.

Mr. Chairman, as you are aware, many Arab Americans are of Lebanese extraction. NAAA therefore has a strong continuing interest in Lebanon's affairs and future. While we recognize the difficulties associated with extending aid to Lebanon under the present conditions there, we feel that the $2.8 million total of assistance to Lebanon that the Administration has requested is wholly inadequate to meet its needs.

We welcomed the decision of the conference committee on the FY '86 continuing resolution not to redirect $21 million in supplemental funds previously appropriated for Lebanon. Tragically, continued bloodshed in Lebanon has made U.S.-sponsored relief efforts even more important.

U.S. private voluntary organizations have made significant progress in providing assistance to the victims of Lebanon's conflict. If funds for Lebanon are not increased, many programs administered by these PVOs will come to a halt.

We urge this Subcommittee to restore funding for Lebanon in the amount of $20 million which will enable these organizations to continue their work beyond Fiscal Year 1986.

NAAA strongly supports the Administration's aid requests for Morocco, Tunisia, the Sudan, and Oman. It is only because of time limitations that I will not go into detail on these requests. Our views, however, are explained in the text of our written testimony.

Mr. Chairman, we do believe, however, that the $3 billion in economic and military assistance for Israel is unjustifiably high. We simply do not believe that enormous aid levels for Israel have served U.S. national interests in the past, nor have they contributed to peace. In fact, we feel the opposite is true. Our generosity to Israel, when coupled with our inability to meet the minimal security requirements of our Arab friends, undermines our ability to play the role of honest broker in peace negotiations.

Further, current Israeli policies call into question the wisdom of such generosity. In Lebanon, Israel has created a monster in the guise of the "South Lebanon Army" which continues to wreak havoc on the towns and villages of Southern Lebanon inside Israel's so-called "security zone."

Israel has, on several occasions, gone beyond that "security zone" to illegally harass and punish Lebanese who continue to oppose both the Israeli presence in Lebanon and the South Lebanon Army.

Continued Israeli human rights violations in the West Bank, Gaza, and Golan Heights, and the establishment and growth of illegal settlements in the occupied territories have also seriously undermined the chances for peace.

For all of these reasons, we urge that aid levels to Israel be reduced. But even if this Subcommittee does not see fit to reduce these levels, we urge that it ensure that Israel, like all other countries, bear its fair share of foreign aid cuts required under Gramm-Rudman Hollings.

Mr. Chairman, this concludes my comments and I would be happy to answer any questions.

[The prepared statement of Ms. Maria McCrea Segal follows:]

NAAA
National Association of Arab Americans

WRITTEN TESTIMONY OF MARIA McCREA SEGAL,
DEPUTY DIRECTOR, GOVERNMENT AFFAIRS DEPARTMENT,
NATIONAL ASSOCIATION OF ARAB AMERICANS,
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS,
APRIL 10, 1986

The National Association of Arab Americans (NAAA) is pleased to present testimony on the Middle East portion of the Administration's fiscal year 1987 foreign aid request. As the principal lobbying organization representing the three million Americans of Arab descent--as well as a large and growing number of other Americans who share our viewpoint--NAAA wants not only to promote good relations between the United States and the Arab countries of the Middle East, but also to see that U.S. tax dollars are spent in the most effective way for the protection and promotion of U.S. national interests in that region.

This year, the American people are perhaps more concerned with controlling the enormous budget deficit and promoting fiscal responsibility than at any time in our nation's history. We, as Arab Americans, share this concern. In presenting this testimony, we are aware of the fact that the foreign aid bill is subject to cuts under the requirements of the Gramm-Rudman-Hollings deficit reduction act and that all recipient countries should be expected to bear their fair share of the burdens associated with these reductions.

It is our intention in this testimony to offer our support, in general, for the president's fiscal year 1987 foreign aid requests for the Arab countries. In some cases, such as Jordan and Tunisia, and the occupied territories of the West Bank and Gaza, we believe that these requests represent the absolute minimum amount necessary to further U.S. interests in the region. In the case of Lebanon, it is our contention that $2 million is inadequate to do so. We urge Congress to remember in its consideration of the foreign aid bill that the Administration, too, has taken the mood of the American people into consideration in preparing its foreign aid proposals. In its proposals for the Arab countries, therefore, it has already pared its requests to the bone. We believe that additional cuts would not be in the interests of the United States.

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I. IMPORTANCE OF THE ARAB WORLD

The Arab world spans two continents, stretching from Mauritania and Morocco on the west coast of Africa to Oman on the southeast corner of Asia's Arabian peninsula and Iraq north of the Gulf. The 21 Arab countries cover nearly 5.4 million square miles, an area that is one and a half times the size of the United States. Over 187 million people live in those countries, and the number is likely to grow substantially in the years to come as the result of high population growth rates.

Some of the world's most strategic areas are contained in the Arab world. Morocco forms the southern part of the important Strait of Gibraltar, which guards the western entrance to the Mediterranean Sea. Egypt's Suez Canal allows Indian Ocean shipping to enter the Mediterranean without having to circle the southern tip of Africa. Some of the world's richest oil reserves are found under Arab soil. This is particularly significant in view of the fact that other oil producers like Mexico, Canada, and the United Kingdom are rapidly depleting their own reserves.

The United States has friendly political relations with most of the 21 countries of the Arab world. Some of these countries have granted the United States access to their military facilities under certain circumstances and have supported the U.S. position on many issues of mutual concern.

On an economic level, the Arab world has proven to be invaluable to our country. At a time when U.S. trade deficits with the world as a whole keep breaking record levels, the United States has had a trade surplus with the Arab world countries for each of the last four years. On the basis of the Commerce Department's formula that each $1 billion worth of U.S. exports creates or sustains 25,000 American jobs, the Arab world since 1980 have provided more than 2 million jobs for Americans, and billions of dollars worth of earnings.

II. GRAMM-RUDMAN-HOLLINGS AND FOREIGN AID

At a time when one of the overriding concerns of legislators and the public alike is to reduce the enormous budget deficit, the foreign aid bill takes on an even greater importance and urgency. If the United States is to continue to meet its responsibilities and promote its national interests in the region, it is essential that adequate levels of aid be extended to all of our friends in the Middle East. The Reagan Administration's aid proposals for the Arab world represent in most cases a minimum amount necessary to further American interests in the region--and in some cases already appear to be inadequate to do so.

We are concerned that the Gramm-Rudman-Hollings deficit reduction act, which this year will require a 14% decrease in overall foreign aid, will be used to secure unwise reductions in already small aid levels for certain Arab countries, while Israel, with enormous yearly grants of military and economic aid, could escape cuts altogether. There appears to be a sentiment in Congress which would exempt both Israel and Egypt, the two largest recipients of aid, as well as the five base rights countries, from the reductions required under Gramm-Rudman-Hollings. Such a decision would put an even greater onus on the remaining recipient countries, which receive much smaller levels of aid, and could eliminate some programs altogether.

We believe that, despite the importance of dealing with the budget deficit, aid levels to the Arab countries below the Administration requests will be inadequate to meet the needs of the recipient countries and therefore would not be in the interests of the United States. But if such reductions must take place, all countries should be asked to bear their fair share.

Mr. Chairman, you recently observed that neither the military budget nor foreign assistance nor entitlement programs could be exempted from cuts under Gramm-Rudman-Hollings. We believe that the same principle applies to cuts for specific foreign aid recipients--and that therefore Israel, Egypt and the base rights countries must not be exempted.

III. RECOMMENDATIONS

Our specific recommendations for the Administration's fiscal year 1987 foreign aid requests are given below. In addition and for the record, NAAA supports the Administration's requests for Algeria, Djibouti, Mauritania, Somalia, and Yemen.

Aid to Egypt

The $2.306 billion request in military and economic assistance for Egypt is slightly more than the level approved for the current fiscal year. We support the president's request and recommend its approval by Congress.

The case for aid to Egypt on this scale is very strong: Egypt genuinely needs the aid that the Administration has requested. Its 49 million people, unfortunately, have one of the lowest standards of living in the Arab world, with a per capita GNP of only $700. This is less than one-seventh of the per capita GNP of Israel, a country whose population is one-twelfth its size, which will receive substantially more aid. Despite the glaring difference in the level of economic development between Egypt and Israel, however, the president's request amounts to a spending of less than $47 for every citizen of Egypt compared to an expenditure of $726 for every citizen in Israel.

The aid requested for Egypt is also vital because of economic difficulties that Egypt is facing that are largely beyond its control. The declining worldwide price of oil has caused both a decline in Egypt's own oil revenues and a sharp drop in Egyptian workers' remittances from OPEC countries. Revenues from the Suez Canal, another major source of hard currency, are also depressed.

Egypt has long been an important friend of the United States. It has worked consistently to promote the Middle East peace process. Egypt has granted the U.S. landing privileges at its naval and air facilities under certain circumstances. It provided support for U.S. transhipment of ammunition to Lebanon when the American marines were there, and has cooperated with the United States in taking action to deal with threats to Sudan, its southern neighbor, in the past.

The West Bank and Gaza

We support the Administration's request of $18 million for activities to promote living and employment conditions of Palestinians residing in the occupied West Bank and Gaza.

The small aid program funding economic and social development in the West Bank and Gaza has perhaps the highest impact of any American aid program anywhere in the world. It provides economic assistance directly through such private voluntary organizations (PVOs) as American Near East Refugee Aid (ANERA), the American-Mideast Educational and Training Services (AMIDEAST), Catholic Relief Services (CRS), and Save the Children/Community Development Foundation (SCF/CDF).

We applaud the Administration's interest in finding ways to stimulate private sector activity in the West Bank and Gaza and their emphasis on supporting institutions which can serve to channel funds to private borrowers for productive uses in agriculture and industry. The Administration's increasing focus on aid to the occupied territories will help to provide the essential tools for economic development of the local population.

Unfortunately, Israeli interference in the program has until recently been widespread, thereby reducing its effectiveness. According to a report two years ago by Meron Benvenisti, the former deputy mayor of Jerusalem, between 1977 and 1984 only 23.1 percent of the industrial expenditures and 35.6 percent of the agricultural expenditures endorsed by AID had been approved by Israel. U.S.-funded projects that did not give the Palestinians a stake--such as public works projects that Israel would otherwise have had to pay for itself--were given ready approval by the Israeli authorities. Thus, Israel was diverting U.S. aid from its intended objectives.

This is just one aspect of a 19-year-old Israeli policy of stifling Palestinian economic initiatives. Palestinians are denied permission to dig new irrigation wells, discouraged in their attempts to form cooperatives, limited in their planting of trees and vegetables, constrained from selling their produce in Israel, turned down--or made to wait indefinitely--when applying for licenses to start up a business project or construct a building, and deprived of adequate credit and money market facilities. PVOs have enumerated cases in which the Israeli government delayed or denied clearance to proceed with individual subprojects, particularly those of a development nature.

While several PVOs have reported receiving greater cooperation from the Israeli occupation authorities during the Administration of Prime Minister Shimon Peres than they did under the previous Likud government, the Likud is scheduled to resume the prime ministership in October of this year--the beginning of the new fiscal year. We urge Congress and the Administration to press Israel not to obstruct PVO-administered projects on the West Bank.

Aid to Jordan

Perhaps no other country in the Middle East has done as much as Jordan in recent years to promote the search for peace in the region. For over a year, King Hussein made a strong personal effort, despite pressures from hardliners, to revive the stalled Middle East peace process. While the Jordanian initiative remains on hold--for the present at least--Jordan's ability to continue as a central actor in the peace process depends largely upon the willingness of the United States to help it in meeting its legitimate and very pressing economic and military needs.

Jordan is an important friend of the United States, both politically and strategically. Few would deny that it is an essential key to Middle East peace. Unfortunately, the United States has not given Jordan the kind of moral and material support in recent years that it needs and deserves. The indefinite postponement in February of a sale of advanced fighter aircraft to Jordan, for example--a sale that the

Reagan Administration had determined was in the U.S. national interest--was a severe blow for U.S. credibility and a setback for Jordan's security needs. The Administration's request for Jordan takes on greater importance in light of the arms sale postponement.

We believe that the aid levels the Administration has proposed for Jordan for fiscal year 1987 should be approved. We are particularly concerned that the Administration's aid levels for Jordan not be cut substantially by Congress to meet the budget requirements of Gramm-Rudman-Hollings. Our interests in Jordan are too important to impose on it a disproportionate share of the burden of necessary budget cuts. We believe that the level of aid this year for Jordan is already too low and the terms under which it is being given are not as favorable as they ought to be.

Jordan, with a population of almost 2.5 million, has a per capita income of $1,640, less than one-third that of Israel. Yet the Administration's aid request for Jordan is only $135 million--compared with $3 billion for an Israel with a much higher standard of living. In addition, of the $115 million in FMS credits for Jordan, $50 million will be extended at relatively high Treasury rates of interest rather than the much lower concessionary rates that are given to such countries as Egypt and Israel. And--again unlike Egypt and Israel--the $65 million given to Jordan at concessionary rates are not forgiven. In addition, although it is a small sum, $4 million in ESF aid for Jordan is given in the form of loans rather than grants. We urge that, to help compensate for the relatively low levels of aid to Jordan, assistance be extended at the more favorable concessionary terms.

Aid to Lebanon

While we recognize the difficulties associated with extending aid to Lebanon under the present conditions there, we feel that the $2.8 million total of economic and military assistance to Lebanon that the Administration has requested is wholly inadequate to meet its needs. Indeed, such sums will do virtually nothing to help promote stability in Lebanon, nor will they contribute to the achievement of a unified, sovereign Lebanon, free from external forces and able to secure its territorial borders.

Tragically, continued bloodshed in Lebanon has made U.S.-sponsored relief efforts even more important. U.S. private voluntary organizations, such as Save the Children, Catholic Relief Services, the YMCA in Lebanon, and UNICEF, have made significant progress in providing assistance to the victims of Lebanon's conflict. If funds for Lebanon are not increased, many programs administered by these

PVOs will come to a halt. We urge this subcommittee to restore funding for Lebanon which will enable these organizations to continue effectively their important work beyond the current fiscal year.

Aid to Morocco

The ties between the United States and the Arab world are exemplified by our ties with Morocco. Next year the United States will celebrate the 200th anniversary of its treaty with Morocco--the longest treaty with the United States in existence.

NAAA supports the Administration's fiscal year 1987 request of $156 million for Morocco. The request represents a slightly higher figure than the levels approved in fiscal year 1986, and includes increases in ESF and FMS levels.

The Moroccan economy has suffered under severe strains in recent years. It has an external debt burden which now exceeds its annual gross domestic product, and it has had to struggle with the problems of severe drought and low demand for its principal export, phosphates. With a population of more than 23 million, a population growth rate of 2.7% and a per capita GNP of only $760, Morocco can effectively utilize the $84 million in economic and development aid that the Reagan Administration has proposed. At the same time, it has shown itself able to to implement a program of fiscal austerity and economic adjustment under the guidance of the World Bank and the International Monetary Fund.

Located on both the Atlantic Ocean and the southern half of the strategic Strait of Gibralter, Morocco has been an important friend to the United States for many years. It has agreed to allow U.S. forces access and transit rights to its military bases in certain cases and provides training areas for U.S. forces stationed in Europe. It also provides much-needed facilities for the Voice of America.

Aid to Tunisia

The Administration's FY 1987 request of $95 million for Tunisia is almost as high as last year's request, and somewhat higher than the amount of fiscal year 1986 assistance actually approved by Congress. We believe that the $27 million in ESF, Development Assistance, and PL 480 aid included in the Administration's request is inadequate to meet Tunisia's very pressing economic needs. Nevertheless, mindful of the constraints of Gramm-Rudman-Hollings, we recommend approval of the Administration's request.

Tunisia has been a friend of the United States since it gained independence in 1956, often using its influence in international bodies to moderate the views of others. During the hostage crisis in Iran, for example, Tunisia cast the deciding vote in the U.N. Security Council for sanctions against Iran. In the Arab League, Tunisia has been a consistent force of moderation. On military matters, Tunisia has been receptive to U.S. initiatives. The Sixth Fleet enjoys regular access to Tunisian ports. The United States and Tunisia have established a joint military commission, and Tunisian officials have shown a desire for heightened military cooperation.

Tunisia's economy has been hurt by a severe drought, and by the fact that it has become a net importer of oil. The expulsion of more than 20,000 Tunisian workers and their families from Libya in 1985, which was due in part to the fall of Libyan oil revenues, put severe strains on the Tunisian economy and made it more difficult for the government to deal with trade and budget deficits and a growing foreign external debt and debt service ratio. In light of these conditions, it is clear that Tunisia requires increased economic aid levels.

Aid to Sudan

We support and commend the Administration's request for over $223 million in economic and military aid to Sudan. Geographically the largest state on the African continent, Sudan is of great importance to the United States. It lies on the Red Sea opposite Saudi Arabia and borders on Egypt, Libya, Chad, and Ethiopia, among other states. Sudan's foreign policy in the past decade has been generally sympathetic to U.S. goals. It has lent support for U.S. peace initiatives in the Middle East and for efforts to expand American military access and capabilities in the region.

Approving the Administration's request is particularly important this year in light of the efforts of the Sudanese government, which took office in April 1985 in a bloodless coup, to nurture democracy. Elections are taking place over a two week period this month in Sudan for a constituent assembly. The assembly will write a new constitution that will establish a means to set up a civilian government to replace the transitional military council of General Abdel Rahman Swareddahab.

With a per capita income of only $400 and an average life expectancy of just 48 years, Sudan is one of the least developed countries in the Arab world. Even though it has experienced severe drought in recent years, which has cost it much-needed export earnings, Sudan has taken in more than 1.5 million refugees fleeing drought, famine, and war in neighboring countries.

We applaud the Administration for requesting $90 million in ESF aid, all of it in grants, for Sudan. The funds will assist the Sudanese government to recommence work on important agricultural and oil exploration projects and help Sudan cope with the refugees it is hosting.

Aid to Oman

NAAA supports the Administration's request for $18.8 million in ESF grants and loans, $40 million in FMS loans, and $205,000 in IMET aid for Oman, although we note with some concern that this request is lower than in recent years.

Oman's strategic location and its willingness to cooperate with the United States make it a vital friend that is deserving of our assistance. Gulf oil that is exported by sea through the Strait of Hormuz goes through shipping channels that are inside Omani territorial waters. Oman is modernizing its military to defend against possible threats from Iran to contribute to regional defense as a member of the Gulf Cooperation Council. It has also granted the United States limited peacetime and extensive emergency access to its military facilities, enabling the U.S. to meet threats to its vital interests and those of its Arab friends in the Gulf region.

Aid to Israel

We believe that the $3 billion in economic and military assistance proposed for Israel--more than $726 for each of its 4.1 million people--is unjustifiably high. While we realize that enormous aid levels for Israel have become the norm in recent years, allocating such amounts to a country whose per capita GNP is $5,370 and whose people live quite affluently by world standards, is not in the best interests of the United States. The contrast between our generosity for Israel and our treatment of its Arab neighbors is particularly apparent in the meager sums of U.S. aid requested for the Israeli occupied West Bank and Gaza--which need aid desperately.

The aid request for Israel, which is at the same level as the request for fiscal year 1986, comes at a time when Americans are going through an agonizing period of budget cutting under the Gramm-Rudman-Hollings deficit reduction act. Many Americans are resentful of the fact that we are being asked to make sacrifices while the U.S. Government is not insisting that Israel should make equal sacrifices. A year ago, high aid levels for Israel were requested because Israel's economy was in a virtual shambles. Yet these same levels are being requested for fiscal year 1987 even though Israel has had some success in coping with its economic problems.

We consider the aid allocations for Israel to be too high on their own merits. It is worth noting also, however, that certain Israeli actions in the course of the last year call into question the wisdom of bestowing such generous amounts of aid on Israel. First, Israel continues to maintain a military presence--after almost four years--in Lebanon. It continues to arm and maintain a surrogate militia force, the "South Lebanon Army," in a so-called "security zone" on Lebanese soil and has on several occasions gone beyond that "security zone" to illegally harrass and punish Lebanese who continue to militarily oppose an Israeli presence in Lebanon. Israeli policies in the West Bank and Gaza, including deportations of some of its inhabitants, have also not been helpful to the chances for peace.

For all of these reasons, we urge that the aid levels to Israel be reduced. But even if this subcommittee does not see fit to reduce these levels, we urge that it ensure that Israel, like all other countries, bear its fair share of foreign aid cuts required under the Gramm-Rudman-Hollings act.

Mr. OBEY. Let me just respond to your comment on page three. You say that "there appears to be sentiment in Congress which would exempt both Israel and Egypt, the two largest recipients of aid, as well as the five base rights countries, from the reductions required under Gramm-Rudman-Hollings."

I do not know what sentiments you are referring to, but if you are referring to stories based on my comments, that is an error.

Ms. SEGAL. Not on your comments, sir.

Mr. OBEY. What I have always said is that, in my judgment, the best that we are going to get this year, is Gramm-Rudman levels for every program, for every country. And I may be out of order, but I have no intention of making exceptions for base rights countries or any other countries.

And I might add I have not been asked to make exceptions for anybody, including Israel, by anybody who lobbies for any country. Every single country or every single lobby group on behalf of every country that has lobbied me has recognized that nobody is going to be exempt from Gramm-Rudman.

Ms. SEGAL. Well, that is encouraging. I am glad to hear you say that. Those comments are based, basically, on discussions that we have had on the Senate side. Perhaps sentiment is a little bit different over there. But with your strong position, I am——

Mr. OBEY. The Senate often likes to pose for holy pictures on a lot of items, but we do not have that luxury over here. [Laughter.]

Mr. McHugh.

Mr. McHUGH. I have no questions. Thank you very much.

Ms. SEGAL. Thanks so much.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

ANDREW MANATOS, MANATOS & MANATOS, UNITED HELLENIC AMERICAN CONGRESS

Mr. OBEY. Next, Mr. Andy Manatos of Manatos & Manatos.

Mr. MANATOS. Mr. Chairman, I appreciate the opportunity to testify today on behalf of the United Hellenic American Congress from Chicago, the Hellenic Alliance from New York and the Pancyprian Association, from New York.

What I would like to do, with your permission, is to submit my testimony and just try to hit the highlights, given the lateness of the day and see if we can condense the presentation.

It seems to these organizations that this country and this subcommittee have a particularly difficult problem. It is a budgetary problem, but because there is a two year authorization out of foreign affairs, it is also a foreign policy problem. And if a message is going to be sent this year to aid recipient countries, it is going to be done out of this subcommittee.

On the budget problem, there is one thing that we would like to point out that escapes the eye upon immediate reading of the Administration's proposals. And that is we hear a lot about the ten tc seven ratio in military aid between Greece and Turkey. We hear a lot about the half a billion dollars in American aid going to Greece.

But when you really look carefully at the figures, and look at them in terms of taxpayer dollars that are leaving this country not to return, what you will see is a very striking thing. The Administration has requested, this year, that Turkey receive approximately $400 million and that Greece receive $1.75 million. I am looking at grant money or concessionary aids, subsidized interest rates. That is the request.

As a matter of fact, that request for Turkey is $50 million above last years amount, at a time of real budgetary constraint. This is an important distinction and it is a distinction that will certainly impact on our budget.

It is also important, from the foreign policy perspective, because the Turkish account is one that might want to be looked at more closely given the recent record and the kinds of signals that our country would want to send.

For example, we have had some experience in this country recently on sending the right kind of signals on aid recipients and having the right kind of outcomes, for example in the Philippines. As you probably know, if Mrs. Aquino were in Turkey, she would not have been allowed to enter the race, let alone have her ballots stolen once the race was over.

The government admits to 10,000 political prisoners there and human rights groups claim that there are upwards to 20,000. And that is, on and on, the list of those kinds of misuses of American aid.

But the most flagrant is the occupation of Cyprus, which is now going on for 12 years. And as you know, there are all sorts of proposals to protect the rights of anybody on Cyprus, with the withdrawal of those troops. And there are all sorts of neutral bodies that could well protect any people on Cyprus with the withdrawal of the troops.

So for both reasons, I think that the Turkish account is one place that this Subcommittee should be looking at very carefully.

Now if I might turn, for just a moment, to Greece. You may recall last year, at this time, people were very concerned about the direction Greece was going. And rather than taking the time here today to list the long, long list of very pro-American things that have been coming out of Greece in the last year, I would like to just submit for the record an article that appeared in the Christian Science Monitor, written by the Chairman of the Senate—European Subcommittee of the Senate Foreign Relations Committee, which does a pretty good job of laying out the direction that Greece is headed.

And Secretary Schultz' visit, of course, also was a very positive element in that regard.

And I would hope that American foreign policy, in that respect, would encourage this kind of development. And I can tell you that the Greek-American community is more sensitive, probably, than the general American community in terms of the direction that Greece is headed. And those that have followed it closely of late are very encouraged.

This balance of power, between Greece and Turkey, sometimes gets lost in these efforts and I would just like to emphasize that, that it is crucial that if the United States—in its aid programs—tips that balance between those two countries, we very well may face some very tragic conflicts in that part of the world which would make our southern flank of NATO in a situation that would be very negative for the United States.

So I would hope that balance of power would be something that we would take into serious consideration this year, not only in total dollar amount, but in cash amounts, in the net impact on the aid to both countries, the military aid.

Now, if I might, for just a moment, speak about the Republic of Cyprus. Cyprus is continuing, and always has, to come to our support any time there is a terrorist incident, any time there is a hostage situation, even though Cyprus is occupied. 40 percent of it is occupied as a result of American arms and as a result of $200 million a year that it costs to keep Turkish troops on Cyprus.

Without that American aid, I question very seriously whether Turkish economy could afford that kind of money.

Yet in the last election, on Cyprus, the Greek Cypriots voted to reduce substantially the communist parties vote on that island. And it has taken some very pro-American moves. It has always been, as you know, very pro-American.

As a result of that, however, the USSR has come with its own Cyprus solution proposal and some have suggested it is an effort to gain some strength within the communist party on Cyprus. What is our country doing? We have really got to take a serious look at this because in that volatile area of the world, Cyprus is a very key element for our country. And we have got to make sure that the people of Cyprus stay with us.

The Turkish Cypriots have not shown the same kind of support for the United States. As a matter of fact, on Turkish radio, just a couple of weeks ago, the leader of the Turkish Cypriots said—and I quote—"He prayed for the souls of the martyred Libyans" as a result of the conflict in the Bay of Sidra.

And because our State Department discouraged people from going to the non-recognized pseudo-state in northern Cyprus, he called us "ugly Americans." And I can assure you that you do not hear that sort of thing from Cyprus.

And on the settlement talks that are now underway on Cyprus, which we were very encouraged about, I am not as encouraged as I was before. We are very hopeful that things are going to come up positively. The Greek-American community is pressing very hard, the Greeks on Cyprus, to try to get some movement and some development there. But I am not encouraged.

And I might just point out for you the history of how these settlement talks work. It is interesting. If you look at every year that there is close Congressional votes, by incredible coincidence, settlement talks come about just before these votes occur. And as we go into these votes, the message always is we cannot touch this tremendous in Turkish aid otherwise it is liable to injure the talks.

Last year that did not happen. Everybody wondered why that did not happen. But if you look at last year and you see how the Congress was so focused on some Greek rhetoric that, in fact, Turkish aid—for the first time in many years—was not in jeopardy.

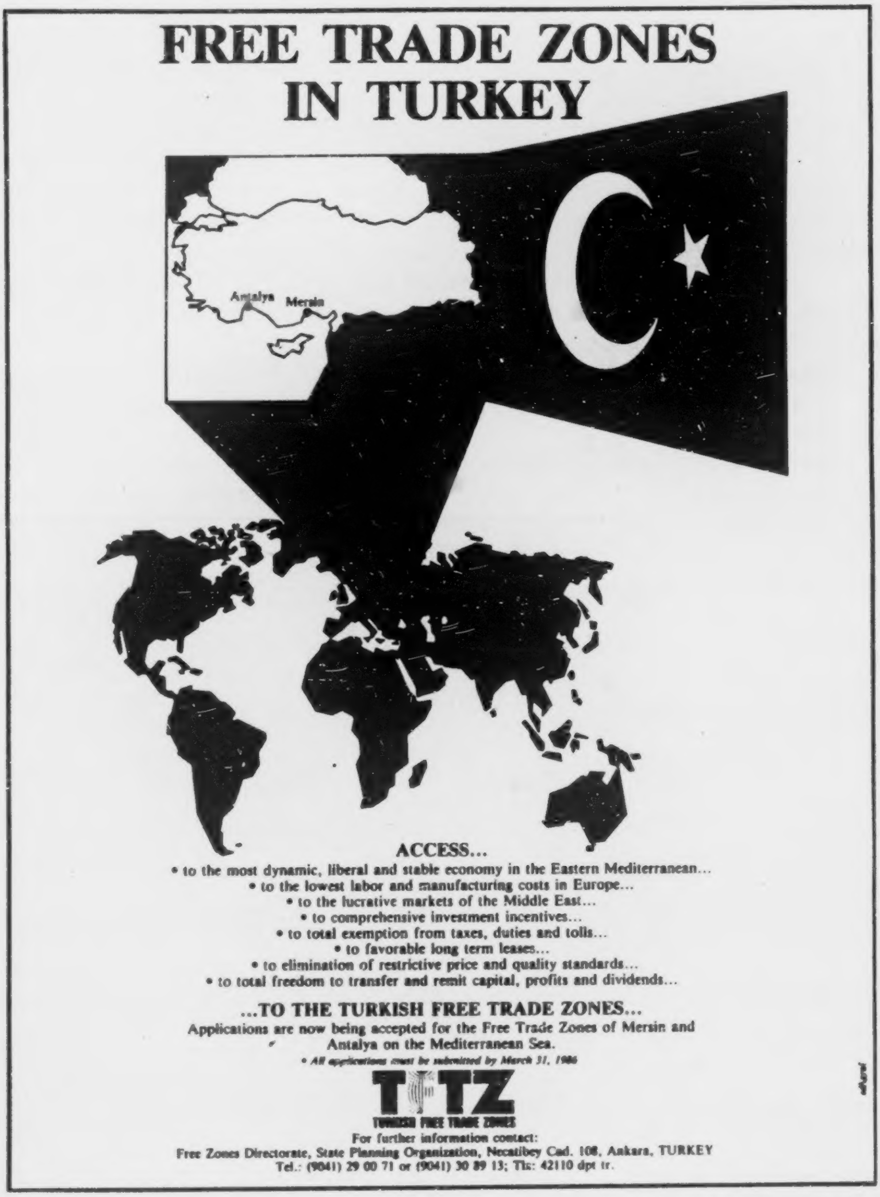
The U.N. proposed settlement document. The Greek Cypriots responded in 20 days, saying yes, let us go with this document. The Turkish Cypriots took months and months and months and then responded with a 30 page criticism and critique of it.

So we are once again into the legislative system and once again we have some negotiations before us. It is our hope they will be positive, but given the history, we are a little bit worried.

Cyprus is worried and if I might end by just showing you why Cyprus is worried. If one listens to the rhetoric from Turkey and from the Turkish Cypriots, it is very reassuring. But if one really looks at what has happened, really looks at how not only have they not headed toward removing the troops, but in fact they are creating their own constitution, trying to create their own state, it is very discouraging.

In Economist Magazine recently there was an advertisement that was paid for by the part of the Turkish government, the state planning organization, which bothered some Cypriots. And I understood why, once I saw it. They have got free trade zones in Turkey and they have all of the rest of the world in blue and they have Turkey in yellow, and Cyprus is also in yellow.

[The information follows:]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Mr. **Manatos**. It is something that is, at best, a tragic error; and at worst, a very, very disturbing thing for the people of the Republic of Cyprus.

Thank you.

[The prepared statement of Andrew Manatos follows:]

STATEMENT OF
ANDREW E. MANATOS
BEFORE THE
SUBCOMMITTEE ON FOREIGN OPERATIONS
OF THE
HOUSE APPROPRIATIONS COMMITTEE

APRIL 10, 1986

Mr. Chairman:

I appreciate the opportunity to testify today on behalf of Andrew A. Athens, Chairman of the United Hellenic American Congress; George P. Livanos, Chairman of the American Hellenic Alliance; and Philip Christopher, President of the Pancyprian Association of America.

The Foreign Operations Appropriations Subcommittee has before it this year a major budgetary problem. People across the United States are asking, "Why should we make major sacrifices in our tax supported government programs so that people in other countries can receive even more of our tax dollars." I am sure that many subcommittee members are sympathetic with these feelings.

I would like to propose that the subcommittee consider responding to that budget concern in a way that will be very valuable to American security interests in the Eastern Mediterranean. As you know the Appropriations Committee carries with it this year an added foreign policy responsibility because the Foreign Affairs and Foreign Relations Committees enacted two year authorization bills last year. Thus, this subcommittee will communicate American foreign policy signals for this year to aid recipient nations.

In order to address both the budget and foreign policy concerns regarding Greece and Turkey, the subcommittee must first look very closely at the Administration's requests for those countries. The costs to the American taxpayer are not what they may appear. We hear a lot about the 10 to 7 ratio in aid between Turkey and Greece, and we hear a lot about Greece receiving a half of a billion dollars in American aid. A close examination of the flow of American taxpayer dollars to Greece and Turkey that will be lost to the Treasury will reveal strikingly different information. This year's Administration requests would give Turkey $400 million American taxpayer dollars and would give Greece only $1.75 million. The Administration is asking that we give Turkey about $50 million more in cash than we did last year. For Greece, the Administration is asking that we give approximately $22 million less in cash than they received last year.

It is very important that this subcommittee distinguish clearly between foreign aid in the form of loans to other countries which are paid back at current market interest rates as distinguished from cash gifts that are given to countries. This distinction is very real for our budget deficit and for the American taxpayers.

It is clear that there are substantial savings to be secured in a Turkish account. Such savings would also serve well the United States in our foreign policy interests. The savings would help us communicate to the nation of Turkey a message similar to the one our country recently communicated to the Philippines so successfully -- that America will keep the pressure on any country which uses our foreign aid to suppress democracy, oppress its citizens, or in the case of Turkey to militarily occupy another country. As someone said, if Corazon Aquino was Turkish, she would not have been allowed to run for office. Turkey must get the message that the U.S. will not tolerate its use of our aid domestically against its people or occupying the Republic of Cyprus.

Now, Mr. Chairman, I would like to turn to Greece for a moment. Since I do not have time to go into the long list of extraordinarily supportive things Greece has done this last year, let me instead submit for the record an article which shows some of the great pro-U.S. strides in Greece that should be encouraged by our aid. The article appeared in the Christian Science Monitor and is written by the Chairman of the Subcommittee on European Affairs of the Senate Foreign Relations Committee.

Mr. Chairman, the balance of power between Greece and Turkey must be maintained if the southern flank of NATO is to remain secure. If the balance is tipped, conflict is a very real possibility and such conflict would be a disaster for NATO.

Within the 10 to 7 ratio of aid to Turkey and Greece the Subcommittee must take into consideration the kind of aid that each country is getting and what that is doing to throw off the balance. If we don't, our country may well cause the makings of a real disaster in the Eastern Mediterranean. Concessionary aid for Greece was omitted in the Administration request.

Mr. Chairman, if I might say a few words about the Republic of Cyprus. This country owes a lot to that poor, beleaguered island nation. Those people support us in every way possible during every one of the terrorist and hostage situations that we have encountered of late. They do this even though it was American military armaments that enabled Turkey to invade their country. It is American military aid that enables a country like Turkey that has economic problems that it has had to maintain an army on Cyprus which costs it over $200 million a year. Yet the Greek Cypriots went to the polls during the last election and voted a major setback for the communist party in that country.

Mr. Chairman, we may be on the brink of a new effort on Cyprus which could throw away an invaluable friend. In light of the communist setback, the U.S.S.R. has come forward with the proposal to solve the Cyprus problem. And what, Mr. Chairman, are we doing to keep the people of Cyprus as our friends?

Last week our country was listening to the leaders of the Turkish Cypriots say that he "prayed for the souls of the martyred Libyans" killed as a result of the conflict in the Gulf of Seidra. Last week because our State Department discouraged American officials from violated the United Nations' and United States' non-recognition of the psuedo state of Northern Cyprus, he called us "ugly Americans."

Last year's law set $15 million in aid for Cyprus this year and I beleive strongly that it must be maintained. We must do what we can to help these people who have helped us so much.

And finally, Mr. Chairman, on the Cypriot settlement talks, I would like to ask the Subcommittee if it would assign a staff member to look into who has been reasonable and who has not been reasonable. That person will find that in each negotiations the Greeks give in on some point or other and the Turks then pull out of the talks. The next negotiation begins at the point where the Greeks previously conceded and then moves the Greeks to giving up more while the Turks stand put or even stand firmer.

Mr. OBEY. Thank you. Mr. McHugh?

Mr. MCHUGH. I have no questions. Thank you very much, Mr. Manatos.

Mr. OBEY. Thank you, Andy.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

DEAN C. LOMIS, CHAIRMAN, AMERICAN HELLENIC INSTITUTE PUBLIC AFFAIRS COMMITTEE

Mr. OBEY. Next, Mr. Dean Lomis, Chairman, American Hellenic Institute Public Affairs Committee.

Mr. LOMIS. Thank you, Mr. Chairman and members of the subcommittee.

I appreciate the opportunity to be here today to present views on the foreign aid appropriation legislation for fiscal year 1987 affecting Greece, Turkey and Cyprus.

The authorization bill provides Greece with $500 million, while Turkey is authorized to receive $868 million. Additionally, Cyprus is authorized to receive $15 million.

We oppose the authorization for Turkey as contrary to the best interest of the United States. This year we are facing serious cuts in domestic spending due to concerted efforts to balance our nation's budget and reduce our huge deficit. Too many important domestic programs are facing substantial cuts in funding, and I have enumerated several of them in my submitted testimony.

In such an era, when our own people are asked to tighten their belts, we support foreign aid only at the lowest possible level and then only if after careful deliberation and scrutiny, we are convinced that it indeed serves our most vital interests.

With regard to Greece, Turkey and Cyprus, the fundamental national security goal of our policy must be to promote peace and stability in the unstable Eastern Mediterranean and strengthen NATO. This implies that aid given to Greece, Turkey and Cyprus must attempt to accomplish two objectives: help bring about a just and lasting settlement of the Cyprus dispute, and provide for the maintenance of the balance of power in the Aegean.

We submit, Mr. Chairman, that the authorized levels promote exactly the opposite. It ignores the dangerous situation in Cyprus and promotes friction between Greece and Turkey, thus weakening NATO.

Regarding Turkey, we recommend a reduction in the level of military and economic aid, all of it subject to an agreed Cyprus settlement based on majority rule with full minority rights guaranteed, and all Turkish troops and colonists removed from Cyprus.

The generous foreign assistance Turkey has been receiving from the United States, particularly since the 1978 legislation lifting the partial embargo, has been allocated with the clear understanding that Turkey would cooperate fully in efforts to bring about a lasting solution to the Cyprus problem. To date, eight years later, Turkey has not been forthcoming.

As we have said repeatedly over the past 12 years, we believe it is essential, if progress is to be made on the Cyprus issue and in Greek-Turkish relations overall, that aid to Turkey be conditioned on tangible and verifiable progress on Cyprus. Turkey continues to illegally occupy 37 percent of Cypriot territory, against the rule of law, American laws, international treaties, bilateral agreements and United Nations resolutions.

The Turkish military and the Turkish economy are maintained by American tax dollars provided to Turkey as a NATO member for NATO's defense but not for the occupation of another country. Cyprus has not only been friendly to us but has provided uninterrupted assistance to the American citizens who are the victims of international terrorism directed against our national interests in the Middle East.

We believe it is essential to furthering U.S. interests and reconstituting NATO's strength and credibility that this committee and the full House link aid to Turkey with a settlement of the Cyprus dispute. The conditions precedent on all military and economic aid to Turkey that we recommend for consideration include those drafted in the American Hellenic Educational Progressive Association resolution of August 1985, to which we agree, and which I have listed in my submitted testimony.

The continuing tilt of the United States toward Turkey, which is the principal cause of difficulties in United States-Greek relations today, is clearly reflected in the aid proposals for Turkey and in our reluctance to require Ankara to comply with the rule of law, international treaties and the democratic principle of majority rule.

Since 1978, we have repeatedly warned that unless the United States changes its course and adopts a truly balanced policy towards Greece and Turkey, future problems in the Eastern Mediterranean would become infinitely more complex. We are deeply concerned about the escalating arms race in the Aegean Sea. Greece and Turkey are unmistakeably drifting toward a military confrontation. Unless the United States adopts an evenhanded policy toward both countries, a conflict is inevitable.

I have no doubt that we all understand the catastrophic consequences of a Greek-Turkish clash. At stake is nothing less than the integrity and credibility of NATO as a defensive alliance. To maintain the balance of power, especially in view of Turkey's numerical superiority, the United States should provide aid on at least a one-to-one basis, both quantitatively and qualitatively, for Greece and Turkey.

The United States bears considerable responsibility for the present plight of the Cypriot people. We have armed and trained the aggressor, and we took no steps to halt the invasion of their country. The Executive Branch violated our own foreign aid laws by failing to stop arms shipments to Turkey.

As long as American-armed Turkish troops remain on Cyprus, the United States has an obligation to provide assistance to the Cypriot people.

The recent Soviet proposal to internationalize the Cyprus issue by calling for the removal of all foreign forces from the country and to reunite its territory is being favorably received by free nations. Washington's procrastination in demanding enforcement of the rule of law and reluctance to require Turkey to adhere to it creates a scenario of potential political advantages for the Soviet initiative.

The unfortunate consequence of such a success would be the removal of the British bases from Cyprus and the loss of their defensive capabilities to NATO and other American interests.

I want to remind the subcommittee, Mr. Chairman, that Turkey is the third largest recipient of American aid, receiving over $10 billion from the United States thus far, and the largest recipient of Soviet aid outside the Soviet Bloc. This is the same Turkey which abrogates the Montreaux Convention of 1936, allowing to date three aircraft carriers—the *Kiev,* the *Novorosiisk,* and the *Moskva*—passage into the Mediterranean. Needless to say, their cargo of modern jet fighter aircraft and helicopters pose a formidable threat to the U.S. Mediterranean fleet.

And if these are not enough, recently, on March 21 to be exact, Turkey disputed the U.S. stance regarding the passage of Soviet aircraft carriers and demanded that our nation not get involved in the decision of these matters, including the passage to the Mediterranean of the soon-to-be-completed largest Soviet aircraft carrier, the *Kremlin.* For the record, gentlemen, Turkey warned the United States regarding this issue that "If the United States seeks to revise the Montreaux Treaty in its favor, it will have no luck."

This is the same Turkey, gentlemen, who at the most recent meeting of NATO in Brussels on March 24th of this year, refused NATO Commander General Rogers' suggestions for deployment of new nuclear systems in Turkey on the grounds that these systems "go beyond 'defense' needs and may 'offend' the Soviet Union." Yet the administration is requesting our Congress to increase American aid to Turkey.

Mr. Chairman, the treatment afforded Secretary of State Shultz during his recent visit to Turkey is a perfect illustration of what we mean when we state that Ankara has nothing but contempt for the American-Turkish relationship. By insisting on linking textile trade with American aid in return for the renewal of our military installations throughout Turkey, Ankara once again establishes the use of political blackmail as a tool of international diplomacy.

Conversely, the rhetorical content of the Greek government over the past six months has been much more conciliatory. The meetings between Prime Minister Papandreou and Secretary of State Shultz were extremely candid and cordial and should be viewed as a very encouraging sign of the desire of both countries to establish a sounder relationship.

It is imperative, gentlemen, that we clearly understand and appreciate the very real danger we create to Greek security, hence to peace in the area, by over-arming Turkey. This is a crucial issue. If the Congress can understand the concerns of Israel when we provide excessive military assistance to friendly Arab states, it should also be able to understand the concern of Greece when we over-arm Turkey.

The just-completed trip to Athens by Secretary of State Shultz offers the United States an excellent opportunity to stabilize and improve Greek-American relations. The recent statements of the Greek government during Mr. Shultz' visit leaves no doubt that Athens would like to see a dramatic improvement take place.

In conclusion, Mr. Chairman and members of the subcommittee, United States policy should be to support democratic reforms and repudiate false friends when they refuse to change in order to preserve their power. I am confident that this subcommittee and the United States House of Representatives will respond in a positive fashion to the legitimate security concerns of the people of Greece by supporting a sustained policy of equivalent balance of power in the Aegean and justice on Cyprus.

Conditioning all aid to Turkey until there is a Cyprus settlement based on majority rule with full minority rights guaranteed, and all Turkish troops and colonists removed from Cyprus is in the best interest of the United States and, I must add, in the best interest of the Turkish people, too.

Thank you, gentlemen, and I am prepared for any questions you may have.

[The prepared statement of Dean C. Lomis follows:]

STATEMENT OF PROFESSOR DEAN C. LOMIS

CHAIRMAN

AMERICAN HELLENIC INSTITUTE PUBLIC AFFAIRS COMMITTEE INC.

BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

APRIL 10, 1986

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee on behalf of the American Hellenic Institute Public Affairs Committee, Inc., (AHIPAC), and present views on the foreign aid appropriation legislation for fiscal year 1987 affecting Greece, Turkey, and Cyprus.

The Authorization Bill for Fiscal Year 1987 provides Greece with $500 million, while Turkey is authorized to receive $868 million. Additionally, Cyprus is authorized to receive $15 million in FY 1987. We oppose the authorization for Turkey as contrary to the best interests of the United States.

This year we are facing serious cuts in domestic spending due to a concerted effort to balance the nation's budget and reduce our huge deficit. Too many important domestic programs are facing substantial cuts in funding, from those that benefit low-income families, the elderly, and the handicapped, such as Medicare and low-income housing, to those affecting our nation's investment in its future, such as student aid, international education, federally funded research at colleges and universities, and the Library of Congress. Our farm economy is in disarray and our oil economy threatens to follow, with families losing their source of income and livelihood each day. In such an era, when our own people are asked to tighten their belts, we support foreign aid only at the lowest possible level, and then only if after careful deliberation and scrutiny we are convinced that it indeed serves our vital interests.

With regard to Greece, Turkey, and Cyprus, the fundamental national security goal of our policy, as we see it, must be to promote peace and stability in the unstable Eastern Mediterranean and to strengthen NATO. The recent trip of Secretary of State Shultz to Athens offers the United States a unique opportunity to bring this about. The meetings between Prime Minister Papandreou and the Secretary were extremely candid and cordial and should be viewed as a very encouraging sign of the desire of both countries to establish a sounder relationship. Athens is clearly interested in the benefits to its own economy resulting from closer ties with Washington, as well as for its defensive capabilities due to Ankara's intentions on Cyprus and in the Aegean. The recent sale of 40 F-16 jet fighter aircraft to Greece is a significant step toward improving the relationship. Mr. Chairman, I believe that aid given to Greece, Turkey, and Cyprus must attempt to accomplish two objectives: a) help bring about a just and lasting settlement of the Cyprus dispute, and b) provide for the maintenance of the balance of power in the Aegean. We submit, Mr. Chairman, that the authorized levels promote exactly the opposite. It ignores the dangerous situatuion in Cyprus and promotes friction between Greece and Turkey, thus weakening NATO.

Regarding Turkey, we recommend a reduction in the level of military and economic aid, and all of it subject to an agreed Cyprus settlement based on majority rule with full minority rights guaranteed and all Turkish troops and colonists removed from Cyprus.

The generous foreign assistance Turkey has been receiving from the United States, particularly since the passage in 1978 of legislation lifting the partial arms embargo, has been allocated with the clear understanding that Turkey would cooperate fully in efforts to bring about a lasting solution to the Cyprus problem. To date--eight years later--Turkey has not been forthcoming.

BRINGING ABOUT A CYPRUS SETTLEMENT

As we have said repeatedly over the past twelve years, we believe it is essential, if progress is to be made on the Cyprus issue and in Greek-Turkish relations overall, that aid to Turkey be conditioned on tangible and verifiable progress on Cyprus.

Turkey continues to illegally occupy 37% of Cypriot territory, against the rule of law, American laws, international treaties, bilateral agreements and United Nations resolutions. At present, Ankara is erecting permanent military structures in the occupied territory of Cyprus, thus proving her intention to remain a permanent presence. The newly constructed military airfield at Lefkoniko and the nearly completed naval base at Kyrenia are only two examples of Turkish intentions. The Turkish military and the Turkish economy are maintained by American tax dollars provided to Turkey as a NATO member, for NATO's defense, but not for the occupation of another country. Cyprus has not only been friendly toward the United States, but has provided uninterrupted assistance to American citizens who were the victims of international terrorism directed against our national interests in the Middle East.

We believe it is essential to furthering U.S. interests and reconstituting NATO's strength and credibility, that this Committee and the full House link aid to Turkey with a settlement of the Cyprus dispute.

The conditions precedent on all military and economic aid to Turkey that we recommend for consideration by the Subcommittee include those drafted in the American Hellenic Educational Progressive Association, (AHEPA), resolution of August, 1985, and agreed to by AHIPAC, and are as follows:

1) the withdrawal of all Turkish military forces and colonists from Cyprus;
2) agreement by Turkey and the Turkish Cypriots to the rule of law and constitutional arrangements based on the universally-accepted principle of majority rule with full minority rights guaranteed;
3) the immediate return of Famagusta/Varosha and Morphou to the Republic of Cyprus under U.N. auspices for the immediate resettlement of the refugees. The area should be specifically delineated as that inhabited by the Greek Cypriots prior to Turkey's invasion of 1974;
4) Turkey has withdrawn its recognition of the so-called "Turkish Republic of Northern Cyprus" and has persuaded the Turkish Cypriots, in accordance with Security Council Resolution 561, to revoke their illegal action;

5) full cooperation with the International Red Cross regarding investigation of the five missing Americans and the 1,614 missing Greek Cypriots;

6) Turkey is taking steps including good faith support for and participation in talks conducted under U.N. auspices, to achieve a settlement of the conflict on Cyprus based on U.N. resolutions and international law.

Furthermore, the continuing tilt of the United States toward Turkey, which is the principle cause of difficulties in US-Greek relations today, is clearly reflected in the aid proposals for Turkey and in our reluctance to require Ankara to comply with the rule of law, international treaties, and the democratic principle of Majority rule.

Since 1978, we have repeatedly warned that unless the United States changes its course and adopts a truly balanced policy toward Greece and Turkey, future problems in the eastern Mediterranean would become infinitely more complex.

We are deeply concerned about the escalating arms race in the Aegean Sea. Mr. Chairman, Greece and Turkey are unmistakably drifting toward a military confrontation. Unless the United States adopts an even-handed policy toward both countries, a conflict is inevitable. I have no doubt that we all understand the catastrophic consequences of a Greco-Turkish clash. At stake is nothing less than the integrity and credibility of NATO as a defensive alliance.

An absolute requirement to an even-handed policy is the scrupulous maintenance of the balance of power in the Aegean at the lowest possible force levels. Moreover, both countries face serious economic and social problems, and it would be in their best interest to devote more of their available resources to the solution of these problems than to acquiring disproportionately larger arsenals. Greece has been spending over 7% of its GNP in defense expenditures over the last several years, which is the highest among NATO countries, including the United States.

To maintain the balance of power, especially in view of Turkey's numerical superiority, the United States should provide aid, on at least a 1 to 1 basis, both quantitatively and qualitatively for Greece and Turkey.

With regard to Cyprus, we recommend that no part of the $15 million authorized for Cyprus be used or earmarked for the Turkish Cypriots until they revoke their illegal action of November 15, 1983. Consideration should also be given concerning an additional amount of $10 million to the Republic of Cyprus for general purposes in view of the significant assistance given to the United States in the region over the past three years, and as recognition of the growing pro-Western attitude on Cyprus as indicated in the latest election results, showing the largest loss ever for the Cypriot Communist Party.

The United States bears considerable responsibility for the present plight of the Cypriot people. We have armed and trained the aggressor, and we took no steps to halt or limit the invasion of their country. The Executive Branch violated our own foreign aid laws by failing to halt arms shipments to Turkey. As long as U.S.-armed Turkish troops remain on Cyprus, the United States has an obligation to provide assistance to Cyprus.

Nowhere in the Treaty of Guarantee is the right conferred on anyone to use force against the Republic of Cyprus. Moreover, the right of unilateral intervention is conditional and is to be exercised with "the sole aim of reestablishing the state of affairs created by the present treaty". But, Mr. Chairman, let us assume for the sake of argument that Turkey has the right, as she claims, to unilateraly intervene by force against Cyprus. Was Turkey's use of force done "with the sole aim of re-establishing the state of affairs created by the present treaty"? The answer is a resounding no. What Turkey had done was to use force to militarily partition Cyprus and maintain a 35,000 man-strong military force on 40% of Cyprus for the past twelve years. In truth, Mr. Chairman, Turkey's use of force against Cyprus is in direct violation of the Treaty of Guarantee, of the U.N. Charter that prohibits the use of force by one state against another, of international law in general, and of the American Foreign Assistance Act of 1961.

The recent Soviet proposal to internationalize the Cyprus issue by calling for the removal of all foreign forces from the island and to reunite its territory is being favorably received by free nations. Washington's procrastination in demanding enforcement of the rule of law and reluctance to require Turkey to adhere to it, creates a scenario of potential political advantages for the Soviet initiative. The unfortunate consequence of such a success would be the removal of the British bases from Cyprus and the loss of their defensive capabilities to NATO and other American interests.

We are deeply concerned, Mr. Chairman, that even if the Subcommitte adopts our suggestions, the balance of power, and hopes for peace in the region may still be jeopardized by significant allotments of aid which may be provided to Turkey under the terms of the DECA agreement currently being renegotiated with Ankara. Any renewed agreement with Turkey should, in the interests of the United States, be subject to the conditions referred to earlier, and subject to Congressional approval if any commitment of funds is involved.

THE INSTABILITY OF NATO'S SOUTHEASTERN WING

The Turkish threat to Greece is not imaginary, Mr. Chairman. The continuing occupation of 37% of Cyprus, repeated statements by Turkish government officials over the past twelve years regarding the Aegean, the totally unreasonable and obstructionistic Turkish policy towards NATO which prevents the resolution of residual problems and the required functioning of the Southeast wing of the Alliance, and the deployment of the Turkish army, a substantial portion of which is poised against Greece, evidence Turkey's expansionist attitude.

Turkey's disregard of the 1936 Montreux Convention, convened at her request, and of which she is a signatory, is the principle focus of attention in the controversy generated by Turkey on the militarization of the Greek island of Limnos as a NATO component in the Aegean Sea, which has further disrupted NATO operations in the region.

The Montreux Convention permits Greece to militarize the island. If Turkey has serious questions regarding that interpretation, she should address them to the International Court of Justice as she originally agreed to do in 1978, at the recommendation of Greece. On this point, Mr. Chairman, we recommend that should Turkey refuse neutral efforts at mediation, then the United States should impose binding conditions on all allocations of American aid to Turkey.

Furthermore, we recommend that the United States not participate in future joint military exercises with Turkey in the Aegean Sea should the Ankara government refuse to remove its objections to the participation of Greek forces stationed on Limnos. Joint military maneuvers between Turkish and American forces—without Greece--only serve to give the impression, incorrectly, that the United States endorses Turkey's position. This exacerbates U.S.-Greek relations and only furthers Ankara's intransigence on this and other outstanding issues with Athens.

The situation in the Eastern Mediterranean, Mr. Chairman, has reached the critical stage. The United States seems to react to events rather than anticipate problems and attempt to prevent them. Time, however, is running out. It is urgent that positive action be taken before disaster results.

I would like to remind the Subcommittee, Mr. Chairman, that the present situation in the Aegean is a direct consequence of America's acquiescence to Turkey's illegal invasion of Cyprus. After the twin illegal Turkish invasions of July and August, 1974, the end result of American foreign policy was to acquiesce in the act whose illegality was well understood by all of Washington's foreign policy managers at the time, thus confirming the Turkish military regime's belief that Washington would condone actions by an "ally" in the name of "strategic" considerations. Cyprus, therefore, was to be the catalyst by which Turkey's military rulers would raise their level of diplomatic intransigence to an art form, thereby securing the negotiating stalemate now in existence between Ankara and Athens, and huge amounts of foreign aid from the Soviet Union and the U.S.

Secondly, the widely reported construction of a large airfield at Lefkoniko in occupied Cyprus, the cost of which is reportedly huge, has been completed. There is serious speculation, from Turkish Cypriot official sources, that the airport is to be used by the United States Rapid Deployment Force. I am sure, Mr. Chairman, that the gravity of the implications for U.S. prestige and credibility, were this report to be true, is clear to you and the Members of this Subcommittee. As one author put it, "The use of American aid money to build an unnecessary airport on stolen territory administered by an occupation that is internationally condemned, makes pitiful nonesense of the State Department's claims to be neutral in Cyprus." We, therefore, ask that a congressional investigation be initiated immediatley to determine the veracity of this report and, if indeed the airport were constructed with U.S. aid funds, all aid to Turkey must be immediately suspended.

This Subcommittee, then, can play a crucial role in resolving the outstanding issues among Greece, Turkey, and Cyprus, and meet its constitutional and partnership role in the formulation of United States foreign policy, by establishing an evenhanded approach to Fiscal Year 1987 foreign aid legislation.

I would like to comment now, Mr. Chairman, on several matters relevant to the subject of these hearings.

TURKEY'S HUMAN RIGHTS RECORD

Turkish disrespect for human rights is a sore spot in the eyes of the free world and an embarrassment to the United States. In the summer of 1984, an organization of Turkish workers in Germany rejected efforts to be repatriated back to their home country on the grounds that they would face "lack of human rights and security in Turkey." The latest available figures show that nearly 1,000 Turks have sought refuge and have been granted asylum in...of all places...Greece. Yet, our Administration believes that Turkey will return to real democracy!

During the Session on Human Rights at the State Department Foreign Policy Conference on April 6 and 7, 1983, the officer lecturing from "background notes" pondered about Washington's options in returning the Turkish government to democratic rule, given the fact that Turkey's atrocious history on human rights is well known. Ankara's miserable record on human rights, even against her own minorities of Kurds, Greeks, and Jews, and against political adversaries and dissidents, is well documented and condemned in Turkey: Testimony on Torture, by Amnesty International (1985), and clearly documented with calls of concern in the October, 1983, United States Congress Staff Report on the Human Rights Situation in Turkey. The article "Daylight Express", in the February 6, 1984, issue of New York magazine is an eye opener, substantiating everything depicted in the movie Midnight Express. Furthermore, the recent racist statement of Turkish Cypriot negotiator Rauf Denktash, which stated that the Turkish people cannot live with the Greeks, is evidence of Turkey's real aims and of its continuing intransigence towards the Greek Cypriots.

Clearly, Mr. Chairman, Turkey is a racist country. By its genocidal actions against the Armenians, its decimation of the Greek community in Turkey, the denationalization campaign against its 10 million Kurdish minority and its cover-up of these actions with false allegations, the Turkish leadership has institutionalized racism at the state level.

TURKEY: AN UNRELIABLE ALLY

Forty-six years ago, Greece stood alone on the European continent fighting for freedom, first against fascist Italy and later against the combined Axis forces of

Italy and Germany. The Greek resistance forced Hitler to postpone his attack on the Soviet Union by two whole months. This delay prevented the Nazis from reaching Moscow and Leningrad before the onset of the Russian winter and, as Field Marshall von Runstedt said at the Nuremberg trial, this event most likely changed the course of World War II.

This was also the time, Mr. Chairman, when the Turks refused to honor their obligations under the Treaty of Mutual Assistance between Britain, France, and Turkey, and, in a similar manner, hours before the German invasion, abrogated their Mutual Defense Alliance with Greece, signed a Treaty of Non-Aggression with Germany, and supplied the Nazi war machine with chromium and other war material throughout World War II. Albert Speer, Hitler's economist and production czar, wrote in his book, Inside the Third Reich, that Turkey's assistance to Nazi Germany enabled Hitler to continue the war for an extra eleven months.

At the same time, as reported in the Twenty-third Report to Congress on Lend-Lease Operations, Turkey received from February, 1942, throughout the duration of the war, $27 million in "lend-lease aid" to enter the war against the Axis powers, which she refused to do, appropriately earning the title of Professor Frank Weber's 1979 book, The Evasive Neutral.

This is the same Turkey, Mr. Chairman, which is the third largest recipient of U.S. aid, receiving over $10 billion, and the largest recipient of Soviet aid outside the Soviet bloc. With the just completed "non-aggression and expanded trade agreement" of $6 billion, Soviet aid to Turkey is also at over $10 billion. And this is the same Turkey which abrogates the Montreux Convention of 1936, allowing to date three Soviet Aircraft carriers, the Kiev, the Novorosiisk, and the Moskva passage into the Mediterranean. Needless to say, their cargo of modern jet fighter aircraft and helicopters pose a formidable threat to the U.S. Mediterranean Fleet.

As if these are not enough, recently, on March 21, 1986, to be exact, Turkey disputed the United States' stance regarding the passage of Soviet aircraft carriers and demanded that our nation not get involved in the decision of these matters, including the passage to the Mediterranean of the soon-to-be completed largest Soviet aircraft carrier, the Kremlin. For the record, Turkey warned regarding this issue that "if the United States seeks to revise the Montreux Treaty in its favor, it will have no luck."

This is the same Turkey, Mr. Chairman, who denied us use of the base at Diyarbakir, in eastern Turkey, for an operation to rescue our hostages in Teheran. This is the same Turkey who refused repeated requests by the Department of State to install eleven transmitters in Turkey to improve the broadcasting capabilities of programs by Radio Free Europe, Radio Liberty, and the Voice of America to eastern European countries. This is the same Turkey whose atrocious human rights violations are a disgrace to humanity, to the United States, and to the free world. This is the same Turkey, Mr. Chairman, who, at the most recent NATO meeting in Brussels on March 24, 1986, refused NATO commander General Rogers' "suggestions" for deployment of new nuclear systems in Turkey on the grounds that these systems "go beyond 'defense' needs and may 'offend' the Soviet Union." Yet, the Administration is requesting our Congress to increase American aid to Turkey.

Finally, Mr. Chairman, this is the same Turkey whose deplorable practices and illegal actions we overlook as a panacea to our overall national security concerns and interests. Turkey's record is clear. As Turkey's Foreign Minister stated in World War II, "Turkey will not fight for the blue eyes of Poland." Therefore, Mr. Chairman, neither will Turkey fight at the present time, or in the future, to save America's integrity and the free world's freedom, unless attacked directly.

Mr. Chairman, the treatment accorded Secretary of State Shultz during his recent visit to Turkey is a perfect illustration of what we mean when we state that Ankara has nothing but contempt for the American-Turkish relationship. By insisting on linking textile trade with American aid in return for a renewal on our military installations throughout Turkey, Ankara once again establishes the use of politcal blackmail as a tool of international diplomacy.

It is imperative, Mr. Chairman, that we clearly understand and appreciate the very real danger we create to Greek security, hence to peace in the area, by over-arming Turkey. This is a crucial issue. If the Congress can understand the concerns of Israel when we provide excessive military equipment to friendly Arab states, it should also be able to understand the concern of Greece when we over-arm Turkey. The just completed trip to Athens by Secretary of State Shultz offers the United States an excellent opportunity to stabilize and improve Greek-American relations. The recent statements of the Greek government during the Shultz visit leaves no doubt that Athens would like to see a dramatic improvement take place.

In conclusion, Mr. Chairman, U.S. policy should be to support democratic reforms and repudiate false friends when they refuse to change in order to conserve their power. I am confident that this Subcommittee and the United States Senate will respond in a positive fashion to the legitimate security concerns of the people of Greece by supporting a sustained policy of equivalent balance of power in the Aegean and justice on Cyprus. Conditioning all aid to Turkey until there is a Cyprus settlement based on majority rule with full minority rights guaranteed and all Turkish troops and colonists removed from Cyprus is in the best interests of the United States and, I must add, in the best interests of the Turkish people, too.

Thank you, Mr. Chairman, and Members of the Subcommittee.

Mr. OBEY. Thank you.

Mr. McHugh.

Mr. MCHUGH. No questions.

Mr. OBEY. Thank you.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESSES

BRUCE RICH, SENIOR ATTORNEY, ENVIRONMENTAL DEFENSE FUND

LARRY WILLIAMS, WASHINGTON REPRESENTATIVE, SIERRA CLUB

DAVID WIRTH, SENIOR PROJECT ATTORNEY, NATURAL RESOURCES DEFENSE COUNCIL

Mr. OBEY. Next we will hear a panel, Mr. Bruce Rich, Senior Attorney, Environmental Defense Fund; Mr. Larry Williams, Washington representative of the Sierra Club; and Mr. David Wirth, Senior Project Attorney, Natural Resources Defense Council.

Let me remind everybody we are operating under very tight time restrictions.

Will you identify yourselves?

Mr. RICH. I am Bruce Rich.

Mr. WILLIAMS. Larry Williams.

Mr. WIRTH. David Wirth.

Mr. RICH. Mr. Chairman, I appreciate very much the opportunity to appear before this subcommittee concerning appropriations for the Multilateral Development Banks in fiscal year 1987.

I am Bruce Rich, senior staff attorney at the Environmental Defense Fund, and I am testifying today on behalf of the Environmental Defense Fund and four other national environmental organizations which together have over 5 million members and supporters nationwide.

These environmental organizations wish to express their gratitude and appreciation for the leadership role the chairman and the subcommittee have shown over the past year in promoting improved attention by the multilateral banks to environmental concerns.

In particular, the legislation concerning the MDBs and the environment which the chairman and the subcommittee introduced and sheparded through the Congress last year is one of the most important international environmental initiatives in recent years. It is a heartening example of how Congress can spur the United States to use its influence in the public international financial system in a farsighted and imaginative way for the benefit of all, both developing and developed countries.

Mr. Chairman, there is heightened concern with the ecological aspects of multilateral bank activities in other donor countries, and that is described in some detail in my prepared statement, particularly a trip that a colleague of mine and I made to a half dozen Western European countries last autumn to discuss some of the measures which were enacted into legislation last December 19th.

One thing which emerged in the course of this trip, Mr. Chairman, is that it appeared to us that many government officials charged with MDB policy matters in Western Europe have very little resources or time to review the multilateral bank projects and policies, not only from the environmental but also from other perspectives.

We therefore think that there is a dangerous lack of accountability in effect of bank management and staff for environmental and other aspects and other impacts of projects, and that one way of remedying this lack of accountability would be to open up access to information on prospective projects to nongovernmental groups in both borrower and donor countries.

There has been growing interest and concern in the Administration in promoting environmental concerns within the MDBs, and this is heartening and deserves praise. Still, we feel the Administration needs not only to continue but to increase its pressure on the multilateral banks to promote environmental reforms since within the banks themselves, where it exists, has been extremely slow, and particularly we think that Treasury needs to show more vigor in promoting the three key environmental reform measures set out in the legislation concerning increased environmental staffing, inclusion of environmental and public health industries and the project cycle in the banks, and funding in greater proportion of environmentally beneficial projects.

In particular, Mr. Chairman, the MDBs are continuing to finance many large-scale environmentally destructive projects, and they are neglecting smaller scale environmentally beneficial alternatives. Many of these larger scale projects also in the worst cases have dubious benefit, we think, economically in the long term.

In fact, over the past nine months, the World Bank has approved loans for two huge schemes: the Indonesia Transmigration Program and the India Narmada River Development Program, which involve greater environmental, socio-cultural and economic risks than almost any other projects approved by the MDBs in recent years.

Again, in my prepared statement, there is more detail on these projects. What is particularly distressing about the World Bank's approval of $160 million for a loan for its fifth Transmigration Project last May is that this came only weeks after the bank was forced to publicly acknowledge that it halted over a quarter of a million dollars of loan disbursements for a somewhat analogous agricultural resettlement project in the Amazon Forest in Northwest Brazil. This is indeed distressing that the banks continue to fund these kinds of environmentally and socio-culturally dubious projects.

Mr. Chairman, I am going to conclude. The organizations I represent today believe it is critical that the subcommittee continue and strengthen its oversight of the MDBs' program in implementing the environmental legislation of last December.

One way, for example, in which this oversight might be continued would be for the subcommittee to hold a hearing to examine the environmental and socio-cultural problems in a number of these recently-approved MDB projects that are a matter of increasing international concern and protest.

These projects include the two I just referred to in Indonesia and India, and the Botswana cattle loans which Mr. Wirth describes in more detail in his statement.

Also, Mr. Chairman, we believe there are four other issues which are not addressed in the legislation which should receive greater scrutiny:

The need to raise the issue of the MDBs' environmental performance, not only with other donor nations, but with borrower developing nations.

Two, the question of career incentives for MDB staff to address environmental concerns.

Three, something I referred to, the MDB's tight control of access to information on prospective projects.

And finally, the question of the environmental implications of non-project structural adjustment lending, which has become increasingly important for the multilateral banks, particularly the World Bank.

Mr. Chairman, we wish to commend you for the questions you have already submitted to the Secretary of the Treasury concerning the effects of non-project lending on the environment. We urge you to continue to pursue these inquiries in more depth and to consider the possibility of legislative language which would direct the U.S. executors of the multilateral banks to promote measures within those institutions that will ensure that environmental and natural resources concerns are not neglected in the loan conditions and policies associated with this increasingly important area of multilateral bank activity.

That concludes my prepared statement, Mr. Chairman. Thank you very much.

[The prepared statement of Mr. Rich follows:]

STATEMENT OF

BRUCE M. RICH

ON BEHALF OF

NATIONAL WILDLIFE FEDERATION
NATIONAL AUDUBON SOCIETY
ENVIRONMENTAL DEFENSE FUND
FRIENDS OF THE EARTH
IZAAK WALTON LEAGUE OF AMERICA

CONCERNING FISCAL YEAR 1987 APPROPRIATIONS FOR THE MULTILATERAL DEVELOPMENT BANKS

BEFORE THE

SUBCOMMITTEE ON FOREIGN OPERATIONS

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

APRIL 10, 1986

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I. Introduction

Mr. Chairman, I appreciate very much the opportunity to appear before this Subcommittee concerning appropriations for the Multilateral Development Banks (MDBs) in Fiscal Year 1987. I am Bruce M. Rich, senior staff attorney at the Environmental Defense Fund (EDF). I am testifying today on behalf of five national environmental organizations: EDF, Friends of the Earth, U.S., the Izaak Walton League of America, the National Audubon Society, and the National Wildlife Federation. Together, these organizations have over five million members and supporters nationwide. EDF has over 50,000 members and the the National Wildlife Federation four and one half million members. Friends of the Earth, U.S. has 20,000, the Izaak Walton League of America, 45,000, and the National Audobon Society one half million members.

The five national environmental organizations I represent today wish to express their gratitude and appreciation for the leadership role the Chairman and the Subcommittee have shown over the past year in promoting improved attention by the Multilateral Development Banks to environmental concerns. The legislation concerning the MDBs and the environment which the Chairman and the Subcommittee introduced and sheparded through the Congress last year is one of the most important international environmental initiatives of recent years. It is a heartening example of how Congress can spur the United States to use its influence in the public international financial system in farsighted and imaginative ways for the benefit of all, both in the developing and industrialized nations.

The national environmental organizations I represent today support the Administration's FY 1986 appropriations requests for the MDBs, provided the Administration continues and augments its actions--through our representatives to the MDBs and through other channels--that convey to the banks' management and to other countries the seriousness and urgency with which the United States views the inadequate attention to environmental concerns within these institutions. We urge the Subcommittee to closely scrutinize the progress of the Administration and the MDBs in carrying out the measures set forth in Section 540 of House Joint Resolution 465.

Since any initiatives by the United States to promote environmental reforms within the MDBs must also have the support of other MDB shareholders to be successful, my statement will first give a brief account of growing interest and concern in a number of other major MDB donor countries concerning the need for improved attention to environmental matters in these institutions. I will then review what progress the multilateral banks and the Administration have made to date in implementing the provisions of the environmental legislation introduced last year by the Subcommittee. Although the Administration has made highly praiseworthy efforts to begin to implement and promote the measures called for in the legislation, the banks themselves, with the possible suggestion of the Inter-American Development Bank, have done little of substance. Worse, over the past year the MDBs, especially the World Bank, have prepared and approved several huge projects which are the subject of international concern and outcry and which risk greater ecological and socio-cultural destruction than many previous projects which turned out to be environmental disasters. Two projects of particular concern, Mr. Chairman, are the Indonesia Transmigration Program and the India Narmada River Development Program, both financed by the World Bank.

I said exactly these same words last year Mr. Charman when I appeared before this Subcommitee, but I must repeat them since if anything the environmental problems caused by poorly conceived and implemented MDB activities have become increasingly grave and urgent: The banks´ continued neglect of ecological concerns in their activities should be a matter, in our opinion, of the utmost concern to this Subcommittee since it is resulting in poor projects, poor loans, needless destruction and human suffering, and the tragic squandering of precious investment resources for the developing world as well as in waste of U.S. taxpayers´ money.

I will conclude my statement with several suggestions concerning how the Subcommittee might continue and enhance its critically important environmental oversight of the multilateral banks.

II. Heightened Concern with Ecological Aspects of MDB Activities in Other Donor Countries

From October 8 to November 8, 1985 a colleague of mine, James Barnes, and I visited six major West European countries to discuss the substance of the environmental reforms in the MDBs called for in Section 540 of H.J. 465. It proved possible to meet with senior civil servants in finance and foreign aid ministries, members of national parliaments and legislatures as well as with non-govermental organizations and officials of the European Community and members of the European Parliament. In preparation, copies of what was then the proposed legislation of this Subcommittee concerning the MDBs and the environment were mailed out to many of the individuals we met with last August and the Treasury and State Departments cooperated in sending a cable to U.S. Embassies in the countries we visited to facilitate our meetings with key government officials and politicians.

It proved possible to meet with finance and/or foreign aid ministry officials with policy responsibilities for the MDBs in the Federal Republic of Germany, the United Kingdom, Denmark, the Netherlands and Belgium, and with representatives of environmental and indigenous peoples' rights groups in these same countries. We presented the measures proposed in the environmental legislation of the Subcommittee as substantive points that could be a basis for an international, non-political effort to promote environmental reforms in the MDBs.

The environmental reform measures set forth in the legislation were received positively by officials in the Finance ministries of Holland, Belgium and Denmark and by officials of the Ministry for Economic Cooperation in West Germany (the lead ministry in that country for the MDBs) as well as by officials in the British Overseas Development Administration (which, along with the British Treasury, gives instructions to the U.K. MDB Executive Directors). In the Federal Republic of Germany, Holland, Belgium, Denmark, as well as in the European Parliament we met with members of national parliaments and legislatures of differing political persuasions--liberal, conservative, and "green." Their response was uniformly positive to our requests for assistance in utilizing the domestic political process to help convince finance and foreign aid ministry ministries to support the major points in the Subcommittee's legislation, as well as to raise the general level of public awareness about the need to bring a halt to funding environmentally destructive projects and to promote increased financing of environmentally beneficial projects. I have attached to my statement for the record several letters from European Finance and Foreign Aid ministries indicating their general support for the MDB environmental reform efforts this Subcommittee has been so instrumental in promoting.

One common, and somewhat disturbing theme that emerged in the course of our meetings with government officials charged with MDB policy matters is that they had very little resources or time to review MDB policies and projects from not only the environmental but also other perspectives. In several donor countries finance and foreign aid ministries noted that they received MDB project appraisal reports often only two or three days before projects were to come up for approval before the banks' boards of directors. They also noted that the Executive Directors themselves were understaffed to adequately evaluate the enormous amounts of information contained in specific project documents, and that therefore independent evaluation of possible adverse aspects of projects could only occur if information were provided in a timely fashion by outside sources such as non-governmental environmental groups.

We therefore think that there is a dangerous lack of accountability of bank management and staff for environmental and other impacts of projects and that one way of remedying this would be to open up access to information on prospective projects to non-governmental groups in borrower and donor countries.

In the course of our discussions in October and November it became clear that at that time the U.S. government had not employed the most effective fora or mechanisms to send clear signals about the importance of the Subcommittee's recommendations, nor had it requested other donor nations to support the measures proposed in the legislation. A number of European government officials offered constructive suggestions as to how the appropriate signals could be sent in the near future, and expressed their probable support for such an international effort. Two of the most frequent suggestions we heard was that the U.S. could raise the matter of the MDBs' environmental performance and ways to improve it in forthcoming meetings of the G 5 and G 6--meetings at which representatives of the leading five or six Western industrialized countries discuss various international economic issues, including matters relating to the MDBs--and in the meetings that will take place over the coming year to discuss prospective MDB replenishments and capital increases.

I am pleased to report, Mr. Chairman, that both the Treasury and State Departments are beginning to take initiatives in this direction--spurred by passage of the legislation last December 19th--and that a Treasury Department representative did indeed raise the MDB environmental issue at the last meeting of the G 6 in Paris in January. This is one example of the encouraging concern for MDB environmental matters that appears to be increasing in the Executive Branch. However, continued oversight of the Subcommittee in this regard is essential to ensure that efforts to raise these issues with other donor countries do not flag.

Clearly, the next step is also to engage more closely a dialogue with government officials and non-governmental groups in the borrowing countries concerning the proposals set forth in the Subcommittee's recommendations. From the non-governmental side, this is already beginning to occur. Non-governmental environmental groups such as the ones I represent are increasing their ties with non-governmental groups in developing countries. In Brazil, a number of non-governmental environmental and indigenous peoples' rights groups were instrumental in providing groups in the U.S. with independent information on extremely serious environmental and Indian lands' problems in Northwest Brazil associated with ecologically disasterous settlement and road construction projects financed by the World Bank and the

Inter-American Development Bank.

Increasingly, non-governmental groups in India are expressing concern over environmentally destructive projects in that country, a substantial number of which have been financed by the World Bank. These groups have contacted U.S. environmental organizations requesting assistance and information, particularly concerning the World Bank financed Narmada River Irrigation and Area Development Program--a huge scheme whose initial stage alone involves the forced relocation of nearly one hundred thousand people, mainly tribal minorities. A number of these Indian groups have also received copies of Section 540 of H.J. 465 and are particularly heartened by the provision calling for the U.S. MDB Executive Directors to promote greater involvement of NGOs in the planning and preparation of environentally sensitive projects.

III. Encouraging Actions by the Administration

The growing interest and concern the Administration has shown in promoting environmental concerns within the MDBs is heartening and deserves praise. The organizations I represent today wish to publicly express their appreciation for the measures that the Treasury Department has taken, and more recently, for the increasing involvement of the State Department in these matters. For example, both the Treasury and State Departments now have a staff person engaged primarily in the environmental review of multilateral development bank activities. The inter-agency MDB loan review process that is carried out regularly by the Working Group on Multilateral Assisance is also giving a higher priority to environmental concerns. We understand that the Treasury Department is directing the U.S. Executive Directors of the MDBs to call for board meetings at which the environmental performance of the banks and ways it can be improved will be at issue. We were recently briefed by Treasury on the measures it is currently undertaking, and another prime concern--that Treasury raise the issue of the banks' environmental performance with other major donors--appears to be a higher priority now.

Still, we feel that the Administration needs not only to continue, but to increase its pressure on the MDBs to promote environmental reforms, since within the banks themselves progress--where it exists--has been extremely slow. We think the Treasury needs to show more vigor in promoting the three key environmental reform measures set out in the legislation--increased environmental staffing, inclusion of enviornment and public health ministries and NGOs in the project cycle, and funding of a greater proportion of environmentally beneficial projects. The Treasury has sent out inquiries concerning these measures through the U.S. Executive Directors of the MDBs, but it has not followed up for the most part on the responses it has received from these institutions, which mostly demonstrate, particularly in the case of the World Bank, a lack of commitment to any actions except continuing business as usual. The only possible exception is the IDB, which has recently taken measures which have the potential to institute an effective system of environmental review--if environmentally trained staff are hired to ensure its implementation.

The MDBs are continuing to prepare and approve unsound and environmentally destructive loan proposals, such as the Indononesia Transmigration projects and the India Narmada River Development Program and there is a clear need for a more in depth substantive review of the implications and risks of such projects by the U.S. and other MDB Executive Directors.

We wish to congratulate and thank the Chairman and the Subcommittee for its recent questioning of the Secretary of the Treasury, both orally and through written inquiries, concerning the environmental progress of the MDBs. Continued and persistent oversight of this kind is absolutely necessary to ensure that the Executive Branch does not waiver in the at times difficult task of ensuring real environmental reform in these large international bureaucracies.

IV. Little Progress by the MDBs in Improving Their Environmental Performance

In contrast to the increasing commitment of the Executive Branch to promoting improved environmental quality in MDB activities, the banks themselves have done little of substance to commit more resources and institute effective procedures to environmentally assess their projects, nor to orient their lending in less environmentally destructive directions. The only possible exception is the Inter-American Development Bank, which has undertaken initiatives over the past six months which are first steps towards instituting a functioning system of environmental review for ongoing and prospective projects. Attached to this statement is a separate letter, Mr. Chairman, which analyzes in more detail the environmental progress of the IDB.

The Subcommittee's legislation requires the U.S. Executive Directors to promote in the MDBs key environmental reform measures to: increase environmental staffing; involve environment and public health ministries in project planning and implementation as well as non-governmental environmental and indigenous peoples´ groups; and to increase the banks´ lending commitments so that they finace a greater proportion of environmentally beneficial projects. In all of these areas the banks have made virtually no progress, although, as I mentioned, the IDB is at least undertaking measures to promote more systematic environmental review of projects. The IDB´s implementation of these measures will be ineffective, however without specialized environmental staff expertise to help identify and where necessary modify environmentally risky projects.

Without adequate environmental staffing, it is impossible for the MDBs to assess the environmental aspects of their activities, regardless of the theoretical merits of their publicly stated environmental policies.

I would like to cite for the record one fact which more than any other symbolizes the current priorities of the MDBs concerning the importance of environmental staffing. The World Bank employs nearly four times more professionals in its public relations division--known as Information and Public Affairs--which has a professional staff of at least 25, than in its environmental office, which is staffed by seven professionals, only three of whom are involved in any systematic project review. In fact, the World Bank has almost twice as many professionals in its Speechwriting Unit--five--than the environmental office employs in attempting to review prospective projects in key lending sectors for environmental impacts. Until the multilateral banks view the environmental aspects of development as something that is at least as worthy of staff resources as their public relations efforts, I think we are going to continue to see major problems in the quality of their projects.

Nor have the banks made so far any substantive progress towards greater involvement of of ministries of the environment and public health, as well as of non-governmental organizations in project planning and implementation.

The only positive environmental initiative of the World Bank that can be pointed to over the past year is a long term research project to better incorporate environmental concerns into its cost benefit methodologies and long term country and economic planning exercises. If successfully implemented, this effort could result in substantially better projects from an environmental standpoint several years from now. Since many environmental concerns are not susceptible to quantification, and because quantifiable information of all kinds is either lacking or unreliable in many developing countries, this effort is at best only a small part ofthe solution to environmental problems in bank funded activities.

The measure in the legislation with the most far reaching implications for promoting development that will truly be both economically and environmentally sustainable in the long term is that which calls upon the U.S. Executive Directors to promote a greater proportion of funding for environmentally beneficial projects that involve the use of smaller scale, alternative technologies. So far the MDBs are continuing to finance many large-scale, environmentally destructive projects--many of dubious long term economic benefits--and are neglecting smaller scale, evironmentally beneficial alternatives even when they are economically less risky. In fact, over the nine past months the World Bank has approved loans for two huge schemes--the Indonesia Transmigration Program and the India Narmada River Development Program--which involve greater environmental, socio-cultural, and economic risks than any other projects approved by the MDBs in recent years. It is extremely distressing that the Bank could commit itself to such projects after more than two years of intensive scrutiny by the U.S. Congress and Administration, and in light of the disastrous and tragic consequences of the World Bank financed Brazil Polonoroeste Program.

Before setting forth for the record the grave environmental and economic risks associated with these projects, which are of extreme concern to the groups I represent today, I would briefly like to call the attention of the Subcommittee to recent reports of the tragic consequences that have ensued in the World Bank Polonoroeste project in Northwest Brazil. The project--which involved nearly a half billion dollars of loans for road construction and agricultural settlement in an area of tropical forest three quarters the size of France--has become what is probably the single most notorious failure in the recent history of multilateral lending. In the past four years more than 500,000 migrants have come down the World Bank financed road and most have been victimized on a tragic scale: land titling, agricultural extension and public health services have been overwhelmed by the massive migration and the mostly poor tropical forest soils are incapable of supporting the annual crops the settlers are most accustomed to. More recently, there are reports from Roman Catholic church organizations that in some areas among the migrants an appalling situation of anarchy, land speculation and violence has developed, with instances of the enslavement and disappearance of families. Finally, much of the World Bank project area is now a national public health emergency area, with more than 200,000 cases of several strains of highly virulent malaria; most of the cases have appeared among the migrants who have doubled the population of the state in four years. Attached to my statement for the record is a recent article from the _Cultural Survival Quarterly_ which describes in more detail the most recent events in this disasterous project.

V. Two Recently Approved World Bank Projects with a Potential for Environmental Disaster: the Indonesia Transmigration V Project and the India Narmada River Development Scheme

In spite of the Polonoroeste debacle, the World Bank and other MDBs continue to finance massive agricultural colonization schemes in the earth's rapidly dwindling pristine tropical forest regions, although such projects have had a dismal record of failure over the past twenty years. In fact the World Bank approved last May, in the face of growing international controversy, a loan of $160 million to finance site selection and planning for the resettlement of 300,000 families in Indonesia from Java to largely pristine tropical forest areas in New Guinea (Irian Jaya) and Borneo (Kalimantan). This was only weeks after the Bank publicly acknowledged that it had suspended outstanding loan disbursements of over a quarter of a billion dollars for Polonoroeste pending resolution of environmental and Amerindian problems in the project. The Fifth Indonesia Transmigration loan, as it is called, has raised cumulative World Bank financing of what is the largest resettlement scheme on earth to nearly $600 million. The Asian Development Bank has also been involved in the financing of Transmigration. Although results of earlier Bank financed transmigration projects have been mixed, due to the relatively poor quality of soils typical of tropical forest areas, the Bank has justified its continued support by claiming that it is trying to make the Indonesian government's transmigration program more sound environmentally. But the program--whose most immediate environmental impact will be massive deforestation in the largest remaining rainforests in Asia--is ecologically disastrous in its very conception.

Mr. Chairman, there is a blatant contradiction between the stated priorities of the Indonesian government for the current phase of transmigration and the justifications of the World Bank for its involvement in this program. The Bank claims it is seeking to improve the quality of the Transmigration Program through an emphasis on better site selection and settlement planning. But the Indonesian government's transmigration goals under its current, fourth five year plan (Replita IV) are more ambitious and accelerated than ever before. The Indonesian government has set a target of resettling 750,000 families in the years 1984-89, a 50% increase over the third five year plan (Replita III). The World Bank Transmigration V loan is financing the planning and site selection for the relocation of 300,000 of these families.

Under Replita IV, the entire land area devoted to Transmigration since 1969 will be more than doubled, and there will be a an unprecidented increase in the populations of the areas for which the World Bank Transmigration V loan is financing the site selection: this phase of Transmigration will increase the population of Irian Jaya (western New Guinea) by 52%, and Eastern and Central Kalimantan (Borneo) by 46% and 31%, respectively.

There is no way the fragile tropical forest environments of Irian Jaya and Kalimantan can absorb in a sustainable and rationally planned fashion such a rapid and dramatic population increase. As with Polonoroeste, the World Bank hopes its planning investment will promote, among other things, the cultivation of perennial tree crops by the transmigrants, since the World Bank itself concluded in an internal review of its earlier transmigration investments in 1982 that most annual food crops had failed on the difficult tropical forest soils. Yet, even more than in previous transmigration efforts, the accelerated resettlement targets have led the the Indonesian Ministry of Transmigration to insist that the transmigrants be self sufficient in raising food--a scenario for disaster and tragedy on soils incapable of supporting annual cropping. But if the Indonesian government succeeds in implementing its transmigration targets in the World Bank site selection areas, many settlers will be forced into this tragic quandry. As I mentioned, the population of Irian Jaya alone is slated to increase by more than 50% by the end of the decade. Moreover, the scale of settlement will be much greater than was planned in the Polonoroeste disaster and the Bank's effective leverage to ensure ecologically sustainable site selection is much less, since it is not directly financing any implementation activities.

Most disturbing is the fact that the emphasis for Transmigration site selection, including the World Bank financed component, continues to be in pristine, primary tropical forests--80% in fact. Clearing the transmigrant sites alone in the fourth five year plan (Replita IV), according to one estimate, will result in the deforestation of 3.3 million hectares, and the eventual scope of destruction could be considerably larger because the generally poor quality of soils will force migrants to deforest still other areas after only a few years. Worse, the accelerated Transmigration resettlement targets will increase pressures for already widespread mechanical land clearing, which results in further destruction of whatever land fertility is present, agravating even more the pressures to deforest greater areas.

While under Transmigration still more pristine tropical forest is to be cleared for agriculture, there are huge areas of already deforested grasslands (alang-alang) and secondary forests that lie barren and could be rehabilitated for sustainable agricultural use. According to one Indonesian study, rehabilitation of alang-alang grasslands for agricultural settlement could the double the area in Indonesia under permanent cultivation--some 17-18 million hectares.

Even more paradoxical is that fact that Western aid agencies are currently channelling approximately three quarters of their forestry assistance to Indonesia for environmental rehabilitation activities such as watershed management, reforestation and land rehabilitation--while some of the same agencies are simultaneously financing the deforestation, watershed erosion and land deterioration that is occuring in many transmigration sites.

That the World Bank would participate in such a scheme is all the more amazing when, according to one recent study commissioned by the Indonesian government, more than 300,000 human beings are already living in transmigrant sites selected under previous plans which are ecologically incapable of sustaining them in even the most marginal conditions. The problems in these sites are increasing, and are a growing source of potential social and political unrest.

Mr. Chairman, the MDBs' involvement in Transmigration is destined to fail as a regional and rural development program, and it is urgent that the World Bank and Asian Development Bank cease their involvement and find sounder alternative investments in Indonesia. Attached to this statement, for the record, are a number of newspaper clippings--from Australia and translated by the U.S. Embassy in Jakarta from Indonesian newspapers--that illustrate the seriousness of the environmental and sociological problems associated with Transmigration.

In concluding this discussion of Transmigration, I would like to call the Subcommittee's attention for the record some details of the latest World Bank Transmigration loan that should be subjected to more scrutiny (I understand that some of these issues are already being addressed in recent questions which you, Mr. Chairman, submitted to the Secretary of the Treasury):

1. The loan of $160 million has no appraised rate of economic return, but the Bank asserts in its appraisal report that it can be justified because of its unquantifiable economic benefits--but no attempt is made to evaluate and compare what may be greater unquantified environmental and socio-cultural risks (Staff Appraisal Report, Indonesia Transmigration V Project, pp. 36 and 37).

2. 80% of the loan is to go for consulting services, a

substantial portion of which will be purchased from expatriate firms in Northern Europe. The Bank claims in its appraisal report that one of the major objectives of the project is "the development of the national consultant industry by the association of foreign and national consultants under the very large consultant component." (Appraisal Report, p. 10)

3. The Bank's appraisal report notes that one of the "unquantifiable benefits" of Transmigration has been that, through resettling large numbers of people to remote regions, it "has increased the economic justification of infrastructure such as roads and bridges in sparsely populated areas." (Appraisal Report, p. 6)

4. The Bank notes in the Project Appraisal Report that resettlement costs will be the higher than previous transmigration projects--$7000 per family--because of geographical remoteness (Appraisal Report, p. 35), and, what the Bank does not mention, lower average soil quality.

5. The Bank's own estimated economic rates of return for the agricultural activities of the settlers is below its estimates of the opportunity cost of capital in Indonesia (10%) and thus also what it would normally directly finance (Appraisal Report, p. 37) But the Bank again justifies its financing of the planning and site selection for this phase of the scheme because of numerous "unquantifiable benefits."

6. The Bank notes that there is a substantial risk that the Indonesian Government will not be able to meet its ambitious plans of resettling 300,000 families within the timeframe of the Bank financed planning activities: "The major project risk would be that the GOI may be unable to use the information provided under the project in a timely manner due to financial and managerial constraints." (Appraisal Report, p. iv.) Further on, the appraisal report reassures us on one brief sentence that the plans prepared from this $160 million investment would in such a case "not be lost as they will still be useful for other regional or agricultural...projects or for subsequent transmigration programs." (Appraisal Report, p. 11)

Mr. Chairman, another project of great concern to environmental and indigenous peoples' rights groups all over the world is the Narmada River Development Program in Western India. The World Bank approved two loans totalling $450 million last year for the initial phase of the first project of this multi-project program, one of the largest integrated irrigation and dam schemes ever conceived. The greater Narmada program envisages the construction of 30 major dams, 135 medium and over 3000 small dams over the next 40 to 50 years to provide irrigation and hydroelectric power to an area covering parts of four states in Western India. The entire scheme will forceably displace more than two million human beings, mostly of tribal and minority origin, constituting 5% of India's entire tribal population. The total cost is hard to estimate, but would certainly run into the tens of billions of dollars.

The two World Bank loans approved last year are for the first phase of the first of some 30 proposed major dams--in this case, the Sardar Sarovar Project. The total Sardar Sarovar project will have an estimated cost of nearly $6 billion, and the first phase alone--which the World Bank has helped to financ--nearly $2 billion. The first phase loans are for dams on the Narmada River, the largest westward flowing river in India, that as their first impact will forceably displace nearly 100,000 people, mainly tribal minorities. A 210 kilometer lake will be created, and there is a risk that unsustainable ecological stress through displacement of the former inhabitants of the lakebed will be put on the areas surrounding the reservoir. These areas are already suffering from deforestation, sheet erosion and other environmental degradation caused by poor land use and population pressures.

Internationally, the greatest concern has been raised in India and elsewhere concerning the ability of the World Bank and the affected states in India to ensure the timely preparation and implementation of a resettlement plan for nearly 100,000 people, particularly in light of the fact that neither the record of Indian state governments nor the World Bank has been particularly good in the past in ensuring adequate resettlement and compensation measures in much smaller schemes. Clearly, a project of this kind and scale involves much greater than average environmental risks associated with water borne diseases and irreparable deterioration of the already seriously degraded watershed region around the prospective reservoir. The latter risk, in particular, would have disastrous economic impacts on the project, resulting in premature siltation and clogging of the reservoir and irrigation channels.

But not only are the environmental risks greater than average for this huge scheme, the Bank itself concedes in its project documents that its huge scale entails a lower economic rate of return and higher implementation risks than alternative investments: "Worldwide experience would also suggest that large scale basic infrastructure projects generally tend to have low rates of return when evaluated only on their immediate quantifiable benefits and costs." (Staff Appraisal Report, India Sardar Sarovar Dam and Power Project, p. 11; the Appraisal report asserts that the project will have additional unquantifiable economic and social benefits--but no mention or evaluation is made of the unquantifiable environmental and social costs.) "The project, however, does face greater risks than normal irrigation, power, and water supply operations in India, given its immense size and complexity. As one of the largest investments of its kind built anywhere, its implementation could be subject to delays and cost increases. It will absorb large amounts of human and financial resources of the benefitting States." (President's Report, Sardar Sarovar Dam and Power Project, p. 27.) Indeed, the degree of bureaucratic and institutional coordination to ensure a moderate degree of economic success of this project will be greater than any development scheme the MDBs have attempted before in India.

I have attached for the record several documents and newspaper articles, mainly from India, documenting the growing concern in India and elsewhere over the impacts of this project.

In light of all of these risks--and in light of increasing evidence of the high rate of failure of large scale, mammoth water projects in the developing world and elsewhere--one is again forced to ask why the World Bank does not consider environmentally and socio-culturally less risky alternatives, particularly in cases such as this where many of these risks directly menace the economic sustainability of the project.

The World Bank's involvement in Narmada should be closely scrutinized since it is currently appraising two more loans totalling $420 million for further investments in the Sardar Sarovar dam and resettlement activities. These loans, I understand, probably will come before the World Bank's Board for approval in early autumn this year.

VI. The Need to Support the FY 1987 Administration MDB Appropriations Request

In spite of the generally disappointing progress of the MDBs in responding to the need for increased attention to environmental concerns, the five national environmental organizations I represent today do support the Adminstration's FY 1987 appropriations request for the banks and urge the Subcommittee to approve it in full. The organizations I represent are not now in favor of increased appropriations for the MDBs--we maintain that the MDBs must first make better use of their existing resources through a reorientation of their priorities to focus more on ecological concerns. But the modest Administration FY 1987 appropriations request of $1.392 billion already represents a substantial cut of appropriations, in both real and absolute terms, over the level at which we were supporting the MDBs several years ago. For example, in FY 1985 Congress appropriated $1.548 billion for the MDBs.

Moreover, approving the Administration's FY 1987 request is essential for the U.S. to fulfill the pledges it has already committed itself to in previous international negotiations concerning the financial replenishments of the paid in capital and concessional lending resources of the banks. For the U.S. to reneg on these negotiated agreements with other donor nations will undermine its credibility in efforts to call the attention of these same nations to the need for environmental reforms within the MDBs.

At this time, we think that reducing MDB appropriations below the annual amounts necessary to meet current U.S. commitments will not only undermine U.S. credibility in these institutions, but internally undermine the potential of the MDBs to assume the positive environmental role they have all pledged themselves to realize.

We think that this Subcommittee has shown the way to promote positive reforms within the MDBs with the legislation passed last December 19th and through the other oversight functions it has exercised over the past year. Thus, I would like to conclude with some suggestions on how the Subcommittee might continue and strengthen its leadership role in promoting ecological concerns in the MDBs in coming months.

VII. Conclusion

Mr Chairman, the national environmental organizations I represent today are grateful for the initiative and leadership you have shown over the past year in promoting more attention to environmental matters in the MDBs. The legislation introduced by this Subcommittee and passed last December 19th is a critical step in the arduous task of promoting reforms in the MDBs such that their projects are environmentally sustainable rather than undermining the resource base on which all development depends.

We believe there is an increasingly serious credibility gap between the stated policies and intentions of the MDBs concerning the environment and their real commitment of resources and institutional priorities to address these issues. But there have been isolated instances of progress over the past year, particularly in the Inter-American Development Bank. I might also note that the World Bank is making belated but good faith attempts to mitigate the environmental damage that its loans in Northwest Brazil helped to unleash (although much of the damage, such as rampant deforestation and endemic malaria now appear to be beyond any institution's control) and the efforts of the Inter-American Development Bank to ensure that the Brazilian authorities in the state of Acre prepare an adequate environmental protection plan before the IDB begins disbursements for road construction and improvement activities in that region. These positive measures, it must be pointed out, have occurred however in the context of projects that have become internationally notorious for their essential ecological destructiveness: they are only mitigatory measures for basically unsound development. Moreover, the banks have promoted such mitigatory measures with increased vigor largely because of intense outside scrutiny and pressure, exercised mainly by the United States but also more and more by other MDB member countries.

It is critical, we believe, that the Subcommittee continue and strengthen its oversight of the MDBs' progress in implementing the environmental legislation of last December.

One way in which this oversight might be continued would be for the Subcommittee to hold a hearing later this year to examine the environmental and socio-cultural problems in a number of recently approved MDB projects that are a matter of increasing international concern and protest. Two programs in particular that we have indicated are of special and immediate concern are the World Bank financed Indonesia Transmigration and India Narmada River Development schemes.

We believe that there are four other issues which were not addressed in the legislation which should receive greater scrutiny: the need to raise the issue of the MDBs' environmental performance not only with other donor nations, but with borrower, developing nations; the question of career incentives for MDB staff to address environmental concerns; the MDBs' tight control of access to information on prospective projects; and the question of the environmental implications of non-project, structural adjustment lending which is becoming increasingly important for the MDBs, particularly the World Bank.

The natural corollary to current efforts of the Administration to call the attention of other donor nations to the need for improved environmental performance by the MDBs is to undertake similar initiatives with major MDB borrowers. Currently, there are great pressures on MDB staff to expedite the project cycle and avoid delays in loan preparation and disbursement. A project officer has no incentive to incorporate environmental concerns into project planning, since this risks slowing down the project cycle. The banks must create institutional and career incentives to ensure that environmental whistle blowers are rewarded, which is not now the case. We suggest that the Subcommittee might want to pursue these first two issues through inquiries to the MDBs submitted through the Treasury Department and U.S. Executive Directors.

Greater access to information on MDB projects by concerned and affected interests could do much to improve the quality of MDB lending. The banks withhold information on projects from the public and in some cases from national legislatures in member countries. Public discussion of projects prompts the MDBs to take a posture which is often perceived as defensive, uncommunicative and arrogant. Such criticism should instead be seen as an opportunity for dialogue and the development of information and ideas which could improve the quality of MDB lending. We realize that the question of public access to information on MDB projects is not a simple one, since the MDBs maintain that greater public access would undermine their relationships with some host countries. Nevertheless, we think the present situation could be much improved without impinging in any way on essential mattters of confidentiality between the banks and member nations. A hearing could be held to examine ways in which access to information on MDB activities could be increased for national legislatures, NGOs, and academic bodies in both developing and developed nations. Or inquiries could be sent from the Subcommittee to the Treasury Department and U.S. MDB Executive Directors concerning such measures to free up the flow of MDB information.

The macro-economic conditions of non-project structural adjustment and sector loans have numerous ecological implications, since the thrust of these conditions is to reorient economic sectors and whole national economies towards export led growth. Increased pressures to expand exports at the cost of domestic consumption may create pressures to unsustainably exploit the resource base of developing nations in numerous direct and indirect ways. But the increased emphasis on non-project lending in the MDBs may also present opportunities to promote and further environmentally more sustainable policies in developing countries. Mr. Chairman, we wish to commend you for the questions you have already submitted to the Secretary of the Treasury concerning the effects of non-project lending on the environment. We urge you to continue to pursue these inquiries in more depth with the Treasury Department and to consider the possibility of legislative language which would direct the U.S. Executive Directors to promote measures within the World Bank and other MDBs that will ensure that environmental and natural resource concerns are not neglected in the loan conditions and policies associated with this increasingly important area of MDB activity.

Mr. Chairman, that concludes my prepared statement. Thank you very much.

STATEMENT OF

BRUCE M. RICH

ATTACHMENTS FOR THE RECORD

ENVIRONMENTAL DEFENSE FUND

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April 10, 1986

The Honorable David Obey
Chairman, Subcommittee on Foreign
  Operations
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Obey,

I am writing to submit additional information for the record of the hearing held by your Subcommittee April 10th, 1986 concerning Fiscal Year 1987 appropriations for the multilateral development banks. In particular, I wish to expand upon the comments in my prepared statement concerning the Inter-American Development Bank. This institution has made significant and promising steps towards instituting a functioning system of environmental review in the past six months.

Before going into detail concerning the IDB's recent environmental progress, it should be emphasized, however, that: 1) a comprehensive environmental review system is still not in place, despite encouraging steps in that direction; 2) only constant and continual scrutiny by the Subcommittee, the Treasury Department and the representatives of other member countries will ensure that the Bank's recent initiatives in the environmental area eventually result in a general improvement of project quality; 3) more forthright and substantive communications between the bank and and outside groups concerning its past and current approach to environmental matters would dispel public skepticism and concern that previous external communications of the bank on these issues over the past three years have created.

The environmental progress of the IDB over the past six months has occurred in substantial part we believe because of the continual prodding and oversight of the U.S. Treasury and State Departments but also because some of the

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banks' senior management now appear to be addressing environmental concerns with more initiative and concern than in the other MDBs. The principal existing environmental review entity in the IDB, the Committee on the Environment, has reviewed in depth a total of ten projects since its establishment in November, 1983. In one case, review by the Committee led to the Bank's dropping a proposed road project in Brazil from the project pipeline since it would have directly threatened a protected area financed by the World Bank in the same region. The U.S. Treasury Department has stated that the Committee's review of environmental aspects of these projects was "in almost all cases...thorough and well directed." However, it must be recalled that in the two year five month period of the Committee's existence over 160 projects have been approved by the IDB and that the majority of these projects were in environmentally sensitive sectors such as energy, agriculture and transportation.

It would appear then, that the Committee on the Environment has the potential to serve as a locus of high level accountability for environmental concerns and to review in depth a limited number of particularly sensitive projects. No mechanism currently exists, however, to ensure effective environmental review of the vast majority of IDB projects with potentially adverse environmental impacts, although a first important step was made late last year to begin to address this concern.

We recently learned that in October, 1985 the Manager of the Project Analysis Department--who is also the Chairman of the Committee on the Environment--circulated a memorandum to the Bank's technical and field offices which requires the identification of all projects both in execution and in preparation which may risk "significant environmental impacts." General categories of projects are listed which may incur such impacts (hydroelectric, irrigation etc.) and a set of sound environmental management standards are also set out which such projects are to meet.

This action is certainly deserving of praise, since it could be the first step in establishing a comprehensive system of environmental review in the IDB--something which does not exist in any of the other banks. Nevertheless, it must be emphasized that the directive of the Manager of the Project Analysis Department is so far only a promising beginning. Clearly, specialized environmental staff expertise will be needed in some instances to assist in both the identification of environmentally significant projects by the Projects Analysis Staff and to serve as advisors or consultants in helping to incorporate mitigatory measures into such projects or to redesign them once they are identified.

In other areas addressed by the Subcommittee's legislation there are no substantive signs of improvement over the bank's past performance. The level of environmental staffing has not increased--a measure which we feel is essential to ensure the truly effective and continual functioning of the review process the Projects Analysis Department has initiated. In addition, short term environmental training courses for all bank technical and regional staff would contribute substantially to improving environmental aspects of IDB loans, especially since the bank itself has reiterated several times that it prefers a more 'holistic' approach to environmental review of projects which would involve all professional staff, and not just environmental specialists. Such training courses could be developed and implemented by the Employment and Development Division of the Administrative Department, which already administers training courses for bank staff in other disciplines. Although the bank has endorsed in principle the legislative recommendations concerning greater involvement of ministries of the environment and public health in all phases of the project cycle, it has not presented substantive evidence of progress in that area.

Although the IDB does have a Small Projects Program which provides small loans that are administered in some cases by non governmental groups, it does not appear to be involving non-governmental groups more systematically in project planning and implementation. A Treasury Department's memorandum to the IDB on this issue last year noted that "the Treasury staff's review of bank projects over the last two years suggests that such organizations are not being systematically consulted. Project documents rarely refer to such organizations as sources of information for the project. Occasional conversations with bank project staff members suggest, as well, a general lack of informal contact with borrowing country conservation and indigenous peoples' organizations."

Similarly, the IDB in a November 19, 1985 response to the Treasury Department did not demonstrate any progress over past years in promoting a greater proportion of smaller scale, environmentally beneficial light capital technologies in its lending programs. In fact, to cite one example, among the multilateral banks it continues to channel a greater proportion of its lending into large scale, capital intensive energy projects, mainly giant hydroelectric schemes, than any other institution. A number of these large scale hydroelectric projects continue to encounter problems ensuing from inadequate incorporation of environmental concerns in their planning and execution.

A final problem concerns the way in which the MDBs, and particularly the IDB, are representing their efforts to improve their environmental performance to the outside world. Prior to the IDR's recent efforts to improve its environmental review procedures it had been issuing statements for years asserting that it incorporated systematically environmental concerns and mitigatory measures at the earliest stage into projects (see, for example, the bank publication "The Inter-American Development Bank and the Environment," May, 1983)--statements which were directly contradicted by numerous witnesses in more than a dozen Congressional hearings over the past two and one half years and put into question by a number of statements of representatives of other international organizations and the U.S. Treasury Department. For example, in June, 1985 the Director General of the United Nations Environment Programme sharply criticized the performance of the MDBs in making their environmental policies a reality. On September 19th, 1985 the Assistant Secretary of the Treasury for International Affairs stated before a Subcommittee of the United States Senate that "over the past two years we have found MDB [environmental] performance, on balance, inadequate....the problem boils down to the need to make the banks aware that environmental aspects of projects have to be systematically addressed."

It would be more to the credit of the IDR and the other banks if they would acknowledge forthrightly that there have been problems in the past and describe in the future more openly the concrete, specific, substantive measures and changes they are undertaking to remedy the situation while acknowledging that much still needs to be done.

Thank you very much Mr. Chairman for your consideration of, and inclusion for the record of these additional comments.

Sincerely,

Bruce M. Rich
Senior Attorney

MINISTRY OF FOREIGN AFFAIRS
DANIDA
Danish International Development Agency

Mr. Bruce Rich
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____ Encl. Div. D.2. Ref. 73.C.27/n/1. Date February 19, 1986

When replying, please write Div. on envelope

Dear Mr. Rich,

Please refer to your and Mr. Barnes' letter of January 6, 1986 to the chairman of the Board of International Development Cooperation, Mr. Christian Kelm-Hansen, concerning the US legislation on reforms in the Multilateral Development Banks in the field of environmental policies.

I take pleasure in informning you that Denmark agrees that environmental aspectc should be taken fully into account in the planning and implementation of development projects. Together with the other Nordic countries we are considering these questions with a view to lending our support to the improvement of procedures in this area in the Development Banks, and in particular the World Bank.

I remain,
yours sincerely,

Bjørn Olsen

Ministerie van Financiën
Generale Thesaurie

DIRECTIE BUITENLANDSE FINANCIELE BETREKKINGEN

Bruce Rich
Environmental Defense Fund
1616 P Street, N.W.
Washington, D.C. 20036
USA

Uw brief van kenmerk	Ons kenmerk	Doorkiesnummer	's-Gravenhage
	386-791		February 28, 1986

Onderwerp

Thank you for your letter of January 6. The material is being studied by officials in the Ministry that is primarily concerned with environmental matters. I have asked them to draft a brief instruction to our Executive Director on this issue.

As I indicated to you in October projects are being scrutinized by our Executive Office in Washington. In The Hague we will look at a project only in very exceptional cases. Such cases occur when our Executive Office decides that the project involves issues about which new instructions from the Hague are needed. This procedure is made necessary by the fact that manpower to be spent on issues regarding the MDBs is rather limited. Therefore, we do not have the possibility to spend large amounts of time on every aspect of MDB policies and procedures. Rather, we carefully select our Executive Directors, to whom we then delegate the authority to use their discretion in deciding whether or not certain issues should be raised or supported by our chair. For further discussions on environmental implications of Worldbank projects I therefore would like to refer you to our Executive Director, dr F. van Dam.

A copy of this letter will be sent to mr Veening of the IUCN.

With warm regards,

Jos de Vries,
Chief, International Coordination and
Development Corporation Division

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Vermeld bij beantwoording
datum en kenmerk van deze brief

ME
Ministère des Finances
de Belgique

TRESORERIE

T N
C D

ANNEXE

Dans la réponse mentionner les
indications ci-dessus

Bruxelles, le 2[illegible] 986

MM. Bruce Rich and Jim Barnes
Environmental Defense Fund
1616, P Street, N.W.

WASHINGTON, D.C. 20036

U.S.A.

Dear Sirs,

Thank you for your letter dated January 6, 1986 and its enclosure concerning the US legislation which has recently been approved by the Congress on measures designed to foster the environmental aspects in the multilateral development bank's activities.

First, I have to apologize for my late answer due to same travels abroad since the beginning of the year.

After your visit in Brussels during October 1935 I reported back to the Minister of Finance on the discussions I had the pleasure to have with you on how to take more into account the environmental aspects in the projects financed by external assistance.

Meanwhile, the World Wildlife Fund - Belgium contacted our new Minister of Finance, M. Mark EYSKENS, in order to inform him of the action of the Natural Resources Defense Council in this regard, and in particular of a reform program for the World Bank.

The Minister of Finance responded that he would call the attention of the Belgian representatives in the multilateral development banks to the environmental problems related to the activities of these institutions.

Sincerely yours,

J.P. ARNOLDI,
Conseiller.

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Bonn, den 22nd January 1986

Mr. Bruce Rich
Mr. Jim Barnes
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Dear Mr. Rich, dear Mr. Barnes,

I thank you - also on behalf of Mr. Daniel - for your letters dated 6th January. We read with interest the enclosed copy of the US-legislation.

In our meeting October last year we tried to explain that in the framework of our cooperation with developing countries environmental aspects of projects and programs are being taken care of for some years already.

The German Executive Director in the World-Bank is well aware of the high importance of those aspects. Therefore we do not find a special operating instruction to be necessary. We take it for granted that he will support in a constructive way every suggestion for improvement that will be presented on the basis of the above-mentioned legislation.

Also on behalf of Mr. Daniel I wish you all the best for your further efforts.

Yours sincerely,

Uwe Henrich
For the Minister

World Bank Holds Funds for Development Project in Brazil

Polonoroeste Update

Stephen Schwartzman

In February 1985, for the first time, the World Bank halted payments on a loan because of environmental problems and threats to the integrity of indigenous populations. The loan was for what has become perhaps the most notorious multilaterally financed development project ever – the Northwest Region Integrated Development Program (Polonoroeste), a $1.6 billion project to pave 1,500 km of road and resettle migrants in the Brazilian Northwest. The cutoff came after several years of intensive, international criticism of the project from indigenous rights and environmental organizations. Congressional hearings dealing with the project and increasing concern over the impacts on indigenous peoples and the environment of multilateral bank-financed projects in general on the part of the Foreign Operations Subcommittees of the Senate and House Appropriations Committees followed an intensive advocacy campaign Environmental Defense Fund Attorney Bruce Rich orchestrated [see *CSQ* 8(4); *CS Newsletter* 5(1); CS *OP* No. 6]. But even after the new Brazilian government came to power in 1985 (Brazil's first civilian regime after 20 years of military rule) and took a series of steps to rectify the worst problems and get the World Bank to renew payments, the situation remains a tragedy.

Uncontrolled Migration

The most persistent, and visible problem – immediately for the indigenous populations, but ultimately for everyone involved – is the massive, uncontrolled migration to the Northwest. The plan the World Bank and the government agreed to in 1980 was designed to rationalize and control this process. Indigenous lands were to be demarcated and protected, forest reserves were to be established and colonists were to be settled on small holdings suitable for sustainable agriculture, with access to credit for tree crops such as coffee and cacao.

With recession, unemployment and consolidation of landholdings for mechanized export agriculture in the rest of Brazil, however, the Northwest became a safety valve for social conflicts in other areas. The area was advertised on TV as an El Dorado for the poor, and the migrants poured in. In 1984 150,000 migrated to the state of Rondonia, while INCRA, the government land agency, only had lots for 5,000 families – about 20,000 people. Very little of the land in the area supports annual cropping. A good deal of the land that does is already held by large private owners. Consequently, settlers clear land that is unsuitable for agriculture, their crops fail and they are forced to move, clear more forest and sell what they had to cattle ranchers or speculators. This process has brought Rondonia the fastest rate of deforestation in Amazonia. If this rate continues, it is estimated that by 1990 the area (about the size of England) will be totally deforested.

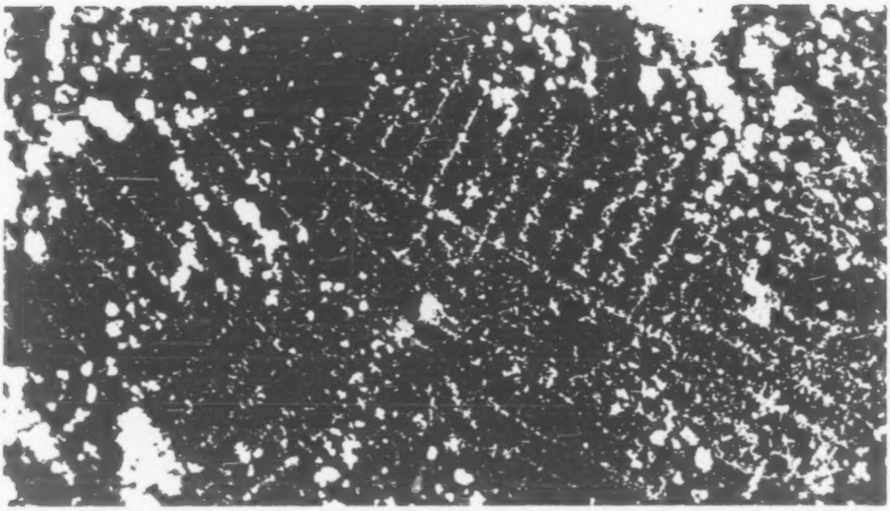
For the colonists, the supposed beneficiaries of the project, the situation has produced serious, often brutal, social disruption. The Comissão Pastoral da Terra (the Catholic Church organization that deals with land issues) recently reported cases of the disappearance of families and of the enslavement of migrants.

For the indigenous peoples most recently contacted, uncontrolled migration has drastically reduced their subsistence base, caused epidemics and provoked violent confrontations with colonists who invaded their territory. The military government in effect treated the loan conditions regarding demarcation of indigenous lands with contempt; in many areas not even the minimal step of legal protection of the indigenous lands has been taken. Of the 55 indigenous areas in the region influenced by the Polonoroeste program, only four are fully proteced by law. While most of the areas have some form of legal recognition as indigenous land, 14 groups, whose presence the Brazilian anthropologists who evaluate the indigenous peoples' aspects of the project attest to, do not even have identified areas, the first step toward legal recognition of land rights.

Demarcation

Demarcation of indigenous lands was a major point in halting the loan. After the cutoff, the government demarcated 1.8 million hectares partially as a reserve for the Uru-eu-wau-wau Indians (only officially contacted in 1984) and partially as a national forest. In addition, it gave full legal recognition to two Nambiquara areas (Sarare and Guapore) as well as demarcated a reserve for the Zoro and removed invaders from the Lourdes reserve of the Gaviões. But even with demarcation, as long as migration continues at present rates, invasions will continue to menace the indigenous populations.

Demarcation is a first step, but in Rondonia it was difficult and costly because it was carried out after indigenous areas had already been overrun. In the Uru-eu-wau-wau area, several hundred families of poor colonists were removed and will be indemnified because they settled in the area before it was declared a reserve. These colonists, and others similar to them, opposed the creation of the reserve, and the governor



An aeriel view from the space shuttle showing the relationship between colonization and deforestation in the Polonororste Project.
©US Geological Survey, photo courtesy of the Air and Space Museum, Smithsonian Institution

of Rondonia attempted to intervene with the president of Brazil to get the decree of demarcation revoked.

At immense cost to FUNAI (the National Indian Foundation) federal police removed 750 families of squatters from the Lourdes reserve. While police actions and uprooting of colonists may be the only alternative once an area is invaded, in the long run it only heightens tensions between colonists and Indians and makes any process of negotiation between peoples whose rights and needs are equally ignored in favor of speculators, agribusiness and large landowners still more difficult. TV advertising to attract migrants has ceased, but migrants continue to arrive. As squatters are removed from one area, others move into another. The 429 road bordering the Uru-eu-wau-wau reserve is a conduit for new invasions. Last year, at least 20 of the indigenous areas had settlers, loggers or miners on them.

Use of FUNAI Funds Suspect

While the Indians have failed to receive effective protection, and the colonists have failed to receive any benefits, some interests are profiting in Rondonia and Mato Grosso. In the Mequens indigenous area last year, illegal loggers were taking out 50 truckloads of hardwood a day. FUNAI and IBDF (the Brazilian Institute for Forestry Development) seized $150,000-200,000 worth of wood, from only two out of nine loggers in the area. Logging operations were shut down in the Zoro and Rio Branco areas in 1985 and in the Cinta-Larga reserve in 1984, but FUNAI and IBDF lack the resources and clout to control the operations more than sporadically.

State and national electric companies are building or have planned to build hydroelectric dams either within indigenous areas or where they will flood indigenous lands in at least four areas. One dam, which Electronorte (a federally owned company) has proposed, could flood half of the Lourdes reserve. The Cinta-Larga, part of whose land will be flooded by the Juina dam, have negotiated with the Mato Grosso state electric company for concessions such as a road and electricity in their area. But the dam, now under construction, will cause large-scale ecological changes and raise land values in the vicinity, promoting further incursions, and the company has already been remiss in keeping its promises.

FUNAI assistance has left a great deal to be desired in all areas. Vaccination, crucial for recently contacted groups, ceased in 1985, and Polonoroeste program evaluators point out that more and better-trained personnel in health and education are especially needed. A hiring freeze and lack of money have prevented any improvement in these areas. Serious questions concerning FUNAI's use of Polonoroeste program funds have also arisen. Of $26 million that should have been spent on the indigenous peoples' component of the project between 1980-85, $19 million remained unspent, while field personnel constantly noted a lack of resources to carry out basic work. Delays between disbursement of the money by SUDECO (which administers the program) and actually spending the funds, with inflation at 250 percent, account for some of the discrepancy. But sources close to the project say that FUNAI also uses this money to cover operating expenses in other areas, including goods and hotel and transportation bills, for Indian supporters of a series of FUNAI presidents in 1984 and 1985, who were widely criticized for spending large sums to support their candidacies (and setting one indigenous group against another) by maintaining retinues of Indian supporters in Brasilia with FUNAI funds. Evaluators of the program's indigenous peoples' component have been unable to obtain an account from FUNAI on how the Polonoroeste funds have been handled.

Broader Participation Needed

In September, representatives of Cultural Survival, the Environmental Defense Fund, the National Wildlife Federation and the Environmental Policy Institute met with World Bank staff to discuss resumption of the loan. While crediting World Bank for the demarcation of the Uru-eu-wau-wau reserve and other steps, the project's critics noted that conditions in the Northwest remained disastrous and that unless adequate provisions for the needs of indigenous peoples and environmental protection are made before infrastructure projects are started, such situations will be repeated.

A case in point is the Inter-American Development Bank's (IDB) loan to Brazil to pave the 364 highway from Porto Velho in Rondonia to Rio Branco in the neighboring state of Acre, approved in January 1985. This highway is the continuation of the road paved under Polonoroeste. After indigenous rights activists and environmentalists brought the Polonoroeste project to the attention of the US Treasury, the executive director abstained on the IDB loan. Citing high environmental costs, risks to indigenous peoples and the unsustainable development liable to result, he decided the project was a poor investment. The US abstention resulted in a $14.5 million cut from the proposed $73 million in the loan approved for the road. Bank managers also required the government to submit a plan for environmental protection and demarcation of indigenous lands in the area of influence of the project before any funds would be released. While the government has submitted a plan, it has yet to be approved. Meanwhile paving the road has begun without IDB funds.

Since the debacle of Polonoroeste, both the IDB and the World Bank say they have no interest in funding large scale "integrated development" for Acre. But the World Bank has funded a project to map ecological and natural resources and identify indigenous lands and natural areas to be protected as well as provide some funds for demarcations in Acre. Planners in Acre consider the bank's project, known as PLANACRE, the first step to a state-level integrated development plan, including agricultural resettlement. In the case of the IDB project and PLANACRE, indigenous and other local communities have spoken out and are negotiating with planners to have their concerns included in the plans. The Comissão Pro-Indio/Acre designed the indigenous peoples' component of PLANACRE, and the newly formed National Council of Seringueiros (rubber tappers) is arguing for the defense of rubber tapper communities and the forest they depend on in any further development plans. In both cases, local people say they were consulted after plans had been drawn up, and argue for broader participation.☐

Stephen Schwartzman is a doctoral candidate in anthropology at the University of Chicago. He is working closely with the Environmental Defense Fund and Cultural Survival on a project to monitor multilateral assistance.

Mining and Indianism in Brazil

Roberto Cardoso de Oliveira

About a year ago the Brazilian Anthropological Association, the Union of Indian Nations (UNI), the Pro-Indian Commission of São Paulo, the Missionary Indianist Council and other groups that support the Indian cause produced a document designed to convince the government of the legal, anthropological and political grounds for changing the legislation concerning mining on Indian lands adopted under the previous authoritarian regime. The document showed that all of the relevant legislation, from Law 6.001/73 (the Indian Statute) to Decree No. 88.985/83 that regulates Articles 44 and 45 of that law, is unconstitutional and should be treated as a moral and political aberration.

Yet it seems that the New Republic has not yet realized that its ideas about change and renovation have not come anywhere near its official Indian policy. I am not simply referring to the urgent need of restructuring the National Indian Foundation (FUNAI) or of replacing it by a new agency that could effectively become an Indianist institution that is in tune with a modern and democratic state. This is what the New Republic promises us and what Indian leaders in UNI and important sectors of the public have been demanding in recent years. An Indian policy in tune with the times cannot be formulated and successfully implemented by merely, almost routinely, replacing the people who direct FUNAI, and certainly not by

Multilateral Development Assistance Destabilizes West Irian

Sue Roff

In February 1984, a steady stream of Irianese villagers began crossing the border from Indonesian-controlled West Irian into Papua New Guinea in the east. By the end of 1984, an estimated 11,000 Irianese "voted with their feet" and left their ancestral lands located in territory that has been under Indonesian control since the early 1960s, when the Dutch finally relinquished their claims.

Today, two years later, most of these refugees – one percent of West Irian's population – remain in the bleak refugee camps of Blackwater and Vanimo, which the Papua New Guinea (PNG) government reluctantly set up. In the last quarter of 1985, the PNG government began to repatriate some of the refugees despite reports that the most politically articulate were being killed as they arrived in West Irian. At about the same time, the first Irianese refugees arrived by boat at Thursday Island, making it impossible for Australia to continue insisting that the refugees are a bilateral problem concerning only Indonesia and Papua New Guinea, its two northern neighbors. Meanwhile, while being fed and sheltered in the PNG camps at the cost of the United Nations High Commission on Refugees and the PNG government, the refugees' homelands have been resettled by Javanese immigrants under the mammoth Indonesian Transmigration Program funded by a multilateral consortium headed by the World Bank, a United Nations agency. This program has also displaced some of the remaining indigenous inhabitants and further contributed to the destabilization of the Melanesian peoples of West Irian.

Indonesia Manipulates PNG

Since the official incorporation of West Irian into Indonesia after a much-criticized "act of choice" in 1969, Papua New Guinea has been very careful not to be seen to be supporting the Irianese independence movement, the OPM (Organisasi Papua Movement or Free Papua Movement). Especially after seeing what happened in East Timor 10 years ago, when Indonesia was prepared to invade, and did, in order to suppress the independence movement, Fretilin, Papua New Guinea has not been willing to "shake the tiger's tail." Yet after 10 years of its own independence, which was achieved in 1975 when Australia's trusteeship terminated, Papua New Guinea has gained sufficient self-confidence to become a leading defender of Melanesian nationalism in the Pacific. But while it has defended such claims as the Kanaks' for independence of New Caledonia from France, Papua New Guinea has also found it difficult to be as principled about Melanesian rights in its own backyard.

An Irian Jayan refugee gets a check-up in the Blackwater Camp, near Vanimo, West Sepik Province. ©Robin Osborne

Manipulated by Indonesia, Papua New Guinea remains in a high[illegible]mfortable dilemma about the West Irianese b[illegible]rossers, whose exodus is alleged to have started [illegible]use of Indonesian responses to an OPM flag-raising ceremony in February 1984. The 11,000 refugees, however, are not all OPM sympathisers. Many claim they left their villages and gardens because of disturbances caused by Indonesian military (there are an estimated 3,000 Indonesian troops in West Irian) who were supposed to be flushing out subversive OPM members and sympathisers.

It seems likely that the Indonesians are using the existence of small numbers of OPM activists to legitimize the military dislocation of indigenous inhabitants on the western side of the border. Javanese immigrants resettling on the indigenous inhabitants' lands under the Transmigration Program are protected from an increasingly hostile Irianese population by a growing contingent of Indonesian troops. Firmly entrenched just inside the western side of the border, these troops are poised just as they were in West

The majority of the 11,000 Irian Jayan refugees in PNG are women and children. Many younger men stayed behind to fight the Indonesian army.
©Robin Osborne

Timor in the months before the invasion of East Timor a decade ago. First destabilize, then militarize, then cry "destabilization" as a pretext for possible invasion – that was the strategy over two years after the fall of the Caetano Government in East Timor; in Papua New Guinea, a far greater resource-base than East Timor, it may be a two-decade strategy.

PNG Violates Non-refoulement Requirements

While calling for self-determination for the Kanak, the Papua New Guinea government at the same time has been quietly repatriating nearly a thousand of the Irianese refugees. Most of them accepted voluntary repatriation after 20 months in the miserable camps. A handful, who were sent back involuntarily, were reportedly killed by injections upon their return to West Irian.

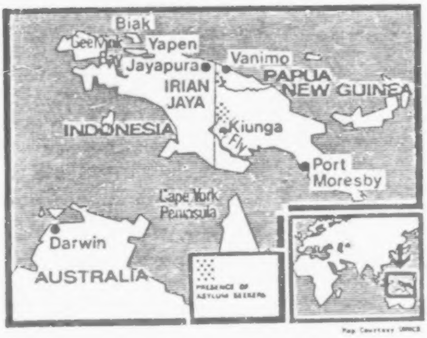
In October 1985, six men, whose lawyer described them as "among the intellectuals, former military personnel and academics who were actively opposed to Indonesian rule and had fled to PNG because of well-founded fears of persecution or danger" (*Papua New Guinea Times*, 13 October 1985), were forcibly deported by PNG police and Foreign Affairs officials. Their application for asylum in Papua New Guinea had been denied because the judge ruled that there was no basis to prevent deportation because "If there was any basis, it is in relation to what will happen, namely deportation. Such an action has not yet taken place." Even the *Papua New Guinea Times* editorialized, "The court looks a little foolish today . . . the issue must be taken to as many international forums as possible."

The internationalization of the Irianese refugee problem was stayed in 1984 because Papua New Guinea at first refused to take responsibility for the refugees. Eventually it abided by the international requirements to provide for them and not forcibly repatriate them into obvious danger. But while Papua New Guinea was violating the requirements for *non-refoulement* in late 1985, the first handful of refugees arrived by boat at Thursday Island.

PNG Demands Australia to Accept Refugees

With the Irianese refugees' arrival at Thursday Island, the Australian government could no longer shirk the issue of whether or not refugees from Indonesian-controlled West Irian are legitimate political refugees from oppression and thus entitled to asylum. The Papua New Guinea government took advantage of the situation to resolve (while Prime Minister Somare was away at the Commonwealth Heads of State conference) to internationalize the problem and demand that Australia be among the countries to accept some of the refugees because of its historical responsibility for Papua New Guinea and its regional situation. Australian Foreign Minister Hayden tried to throw the grenade back into the PNG trenches saying, "The resolution of this matter must be a responsibility of the independent, sovereign, Government of PNG" (*The Age*, 8 November 1985).

PNG's Deputy Prime Minister, Father Momis,



Map Courtesy UNHCR

estimated that among the 11,000 border crossers, 600 to 800 were political refugees. These political refugees are not necessarily members of the OPM, but similar to the five men who reached Thursday Island – members of other pan-Melanesian groups such as the Melanesian Union of Gag in the west of Irian and Samarai in the east of the PNG mainland. Whatever their affiliations, they are Melanesians who are opposed to Javanese overlordship which has committed severe human rights abuses in the past twenty years.

By the end of 1985 the Australian Committee on Determination of Refugee Status was forced to consider the prospect of legitimate political refugees claiming asylum in Australia from Indonesian oppression. Australian-Indonesian relations had just begun to settle down with Australian Prime Minister Robert Hawke's unprincipled acceptance of the *fait accompli* in East Timor – Indonesia's forced annexation – but Australia's Labour government's policy of appeasement of Indonesian interests does not rest easily with its international obligations. At the same time, Papua New Guinea has received more than $2,500 million in aid (30 percent of its budget) from Australia over the past decade, while also maintaining a $500-million-a-year export market for Australia, with a six-to-one trade bias in Australia's favor. Meanwhile, PNG's first Governor-General, Sir John Guise, argued that "Australia has a duty to awaken the conscience of the world to this problem in order for other nations of the world to assist Papua New Guinea . . . it is an historical fact that Australia and the Dutch governments have both initially created this international problem" (*The Age*, 11 November 1985).

Lending Agencies Finance Dislocation

This is true enough but the other culprits in the destabilization of the Melanesian peoples of West Irian are the multilateral lending agencies financing the mammoth transmigration programs that are displacing the indigenous inhabitants from the fragile rain forests of places such as West Irian. Up to $600 million has been made available to Indonesia by a consortium of lenders including the World Bank, the Asian Development Bank, the Islamic Development Bank, the European Economic Commission, the United Nations Development Program (UNDP) and western countries such as the US, France and West Germany. Already 700,000 hectares of land have been "cleared" for transmigration in Irian Jaya; 70,000 immigrants are already there and another 600,000 are scheduled to be sent to West Irian by the end of this decade, with an allocation of 3,000 hectares for every 500 newcomers. At this rate, the Melanesians will become a minority in their own land by 1990.

By funding this dislocation program, United Nations agencies such as the World Bank and UNDP violate Article 8 of the Plan for Action for the Full Implementation of the Declaration of the Granting of Independence to Colonial Countries and Peoples adopted by the United Nations in 1980. Article 8 requires that "Member States shall adopt the necessary measures to discourage or prevent the systematic influx of outside immigrants and settlers into Territories under colonial domination, which disrupts the demographic composition of those Territories and may constitute a major obstacle to the genuine exercise of the right to self-determination and independence by the peoples of those Territories." By funding the program the World Bank also violates its own published principles on "Tribal Peoples and Economic Development" in which it resolves to "not support projects on tribal lands unless the tribal society is in agreement with the objectives of the project as they affect the tribe, and unless it is assured that the borrower has the capability to safeguard tribal populations and their lands against harmful side effects."

Indonesia's Fait Accomplis "Accepted" But Not Approved

Continuing former President Sukarno's tradition of postwar diplomacy, current Indonesia President Suharto is playing a dangerous game. In addition to deliberately destabilizing the Melanesian population by forcing its relocation off land wanted for transmigration programs funded by the international agencies, Indonesia is using the destabilization as an excuse to militarize and settle the border regions with more reliably pro-Indonesian communities. At the same time, Indonesia is keeping Papua New Guinea confused about how to fulfill its obligations to its Melanesian brothers without inviting an Indonesian border incursion or even invasion, while also putting Australia in yet another difficult position in having to choose between principle and appeasement in its own back yard. Indonesia does not conduct itself particularly diplomatically in the United Nations, and is still blustering its way through the forcible annexation of East Timor. The world community may have lacked the political will to come to the aid of East Timor, but Papua New Guinea – a fully sovereign country – may be too difficult to swallow.

Although many countries were greatly dissatisfied with Indonesian's handling of the purported plebiscite that resulted in West Irian's incorporation in 1969, they also demonstrated a certain willingness to accept the situation because there was no clear evidence of an independence movement. For the past 20 years Indonesia has relied on the notion that its faits accomplis will eventually become accepted in international law. It has been sitting out the West Irian situation for 15 years and the East Timor situation for 10 years, and sees no reason to doubt its strategy.

Prospects For Political Autonomy

The climate within the United Nations is changing, however, for two major reasons: one, the assertion of Melanesian nationalism in New Caledonia – where the French rendered the Kanak people a minority in their own land through a deliberate immigration policy in the seventies – has a great deal of sympathy even beyond Pacific members; second, many observers appreciate that in this fortieth year of the United Nations, the first round of decolonization settlements is coming to an end. When the United States finally succeeds in getting the strategic trusteeship over Micronesia terminated, the Trusteeship Council will fold. Seventy nations have become independent under the auspices of the United Nations over its 40 years, and an additional 30, such as West Papua, have been accorded some other status less than independence by the international community.

But the principle that guided so much of this post-Second World War settlement – the notion of successor states to the colonial entities that predated these independent nations – was itself a creature of the dominant power balance of the mid-century. While the majority of member States of the United Nations are probably happy to accept that principle – either despite or because of its anomalies – the peoples who lost out in that shuffle are not necessarily going to continue to accept it. New Caledonia is a clear case in point – and the principles by which New Caledonia was declared a French territory are exactly the same as those by which West Irian was declared an Indonesian territory.

A review of the documents concerning the "act of free choice" in West Papua reveals that the United Nations was extremely tentative in its acquiescence to the Indonesian annexation. Professor Roger Clark of Rutgers Law School pointed out in the *Yale Journal of World Public Order* in 1980,

> The United Nations acquiesced in a consultation that did not recognize the principle of one person, one vote. Moreover, the consultation was effectively conducted by Indonesia which "exercised at all times a tight political control over the population" . . . . While the General Assembly did not approve of the result of the "act of free choice," it passed a resolution taking note of this act . . . . This resolution passed by a vote of 84-0, with 30 abstentions.

The salient issue that will determine whether or not the United Nations decides to reconsider the question of West Irian will be the will of the people. In decolonization law there is a "threshold" principle that requires that enough of the people must indicate their will to change their situation in order to compel international agencies to take notice. The Kanak people demonstrated that threshold of will in 1984; the East Timorese people have been demonstrating it for 10 years, which is why the United Nations has not been able to bury the issue the way they did the Irian fait accompli. It remains to be seen whether the Irianese people will continue to "vote with their feet" in sufficiently large numbers to alert an already alarmed international community to their dissatisfactions with their neocolonial administrators.

Signs of World Bank sensitivity to the problem in West Irian are increasing. US Treasury official David Mulford told a Senate oversight panel on September 18, 1985 that he saw some progress in examining environmental effects of proposed development projects such as the Indonesian transmigration scheme before loans are authorized, "but it is not enough." In an editorial on "The Rape of the Rain Forests" on November 27, 1985, the *New York Times* asked, "Why do tropical countries like Brazil, Colombia and Indonesia allow their rain forests to become moonscapes? Population growth and land hunger are the usual explanation officials give. But there's plenty of land; the problem, as Catherine Caulfield recently noted in *The New Yorker*, is that 4.5 percent of Brazil's landowners own 81 percent of the farmland; in El Salvador, 2,000 families own 40 percent. Colonizing the forest deflects the pressure for land reform."

Scandinavian members of the World Bank in particular have been disturbed by the practices of this specialized agency of the United Nations which are in direct violation of United Nations resolutions. Indonesia has been very astute at playing the international agencies for every dollar it can extract from them. Given the timidity of both Papua New Guinea and Australia, it is up to the international community to defend the rights of indigenous peoples against deliberate destabilization and relocation campaigns paid for, even planned for, with multilateral "development" assistance. ☐

Sue Roff, an Australian-trained political scientist, is a frequent petitioner in the Trusteeship Council and Committee on Decolonization of the United Nations as representative of Minority Rights Group, an international human rights organization.

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The Age - 1 June, 1980

Pathetic attitude to Indonesia

Comment

KENNETH DAVIDSON

FEAR and guilt are the two dominant emotions that underly Australian attitudes to Indonesia.

We feel guilty about our wealth relative to their poverty and fear that their 150 million people can dominate Australia's 15 million people.

This attitude towards Indonesia is rather pathetic and so it is natural we don't want to talk about it.

Instead we have frenzied debates about related, but essentially peripheral, issues to our core fears — like the color of our immigration program and the reporting role of the ABC in the region.

Whether Mr Whitehead and Mr Myer are up to their jobs is a fascinating topic of gossip, but it is really Mickey Mouse in comparison with the issue of whether Australia is going to provide any support to PNG against Indonesia in the developing problems over the Irian Jaya border.

The Department of Foreign Affairs and its Minister are virtually transfixed by Indonesia's hard liners such as the chief of the military, General Benny Murdani.

The present policy accommodation over East Timor and vacillation about making any sort of commitment to the legitimate security needs of PNG is a policy of appeasement. Its latest expression was in the Foreign Affairs request to the ABC management not to run the interview with the Free Papua Movement leader, Mr James Nyaro.

While Foreign Affairs attempts to shut the nation's eyes to the border problems, the situation is likely to get worse, not better.

The problem lies within Irian Jaya.

In the past five years, about 8000 families have been shifted from Java to Irian Jaya, on to three, four or five hectare plots in order to subsist together with cash crops such as coffee or rubber.

As well, the Indonesians have begun building a road along the border which has already accidentally strayed into PNG.

In the next five years, the Indonesians plan to move another 80,000 families, so that by 1990 there should be about half a million of Javanese origin in Irian Jaya on top of an estimated one million Melanesians.

I don't think much imagination is needed to see what the effect of this will be on the indigenous population, or how the indigenous population will react.

But there are two further obscene elements to this program which might not be so obvious.

The first is the cost, which is estimated about $12,000 a family.

The total cost of the transmigration program to various Indonesian islands is expected to be $10,000 million over the five-year plan, or $2000 million a year.

And who do you think is helping to pay for these Javanese version of Nazi Germany's lebensraum?

You're right: the second obscenity is that Australian taxpayers are contributing indirectly, through their membership of the World Bank, which is providing a major part of the funding.

There is about $1500 million a year in aid channelled to Indonesia each year through the Inter-Governmental Group on Indonesia (IGGI) of which the World Bank contributes half. Japan and the US are the major country donors while Australia contributes about $40 million a year.

There is no way the transmigration can be seen as economic. The $12,000 cost of transmigration for each family has to be set against per capita incomes in Indonesia of about $700 a year.

If the objective is to maximise export income from the outer islands, it would be more economic to develop cash crops with the idigenous population.

If the objective of transmigration is the welfare of the Javanese then $2000 million a year could be used to accelerate the already successful population control program, and still leave a lot of funds for industrial and agricultural development.

Thus, the first move by Australia in this border dispute should be to work through IGGI for the abandonment of the transmigration program.

The transmigration movement can only be explained in terms of Central Javanese imperialism.

We may have no success withi IGGI because the US dominat the World Bank and is only co cerned with maintaining an ant communist Government (bot President Ford and Dr Kissinge were in Jakarta only hours befor the Indonesian invasion of East T mor and didn't want to know abo it).

And the next most influent member, Japan is concerned onl that its aid flows back to Japan i the form of orders for hea equipment to build the grandio hydro-electricity plants and othe prestigious works that provide pe manent memorials to the munif cence of the World Bank.

So we may have to apply dipl matic pressure through the sma countries in the region who wou be sympathetic to Melanesian a pirations in Iran Jaya.

If financial and diplomatic pre sure fails what then?

The bottom line is force. Whil this opens up the unspeakab abyss in terms of the debate, it ha to be looked at, and policies deci ed on, even before transmigratio is opposed within IGGI.

Australia will be noticed only it is determined. If there is no ho of some reasonable consens about the bottom line, the best o tion is present policy supplemen ed by accelerated assistance build the border road so we c help drive the potential Melan sian refugees back into Irian Jay

The alternative to an acceler tion of the present obsequious po cy of building credits in Jakarta for some intelligent thought abo the relative strength of the r countries.

The relevant fact is that Austr lia is two to three times richer tha Indonesia and our military is bi ger and better than the releva modern segment of the Indonesia military.

It might take about 40,000 figh ing troops and another 200,0 back-up soldiers to police the PN border, but this is Maginot Li thinking.

In East Timor, 14,000 Indon sian troops are occupied full-ti chasing 1000 to 1500 Fretilin gue lla forces, of whom no more tha 200 would be active at any o time because of a shortage of gu and the necessity to grow foo

If the Free Papua Moveme were given 200 rifles and a fe Bren guns of World War II vintag they could tie down a dispropo tionate number of troops. Possib Indonesia could afford that, b the cost in terms of modern ma rial would impose considerab strains on an economy whose m jor source of wealth, oil, is dim ishing both in value and quali

Irrespective of the military o come, such a guerilla force wou stop the transmigration progra dead.

marked $120 million of the $350 million it has lent to the program for working out better ways to select new sites.

One official warns, however, that better planning may bring "a big conflict over site availability".

"Already there is a tension in the system because the consultants are recommending exclusion of ore sites," he said.

"I believe the Government will run out of sites before they meet the resettlement goals but the government doesn't share that view.

"One problem is that appearances are deceptive. It looks as if there is a lot of land in east Kalimantan and Irian Jaya, but it's impractical to settle there."

Transmigration officials agree there are problems. With the flatlands fully occupied in many parts of the country, more and more new settlements are on marginal land.

There, people tend to plant tree crops which, because they cover the soil permanently, can be grown on slopes as steep as 15 per cent. Annual crops are restricted to slopes of 8 per cent or less, because of the dangers of erosion.

The procedure the government lays down for setting up transmigrant communities calls for five years' planning and preparation before anyone moves to the new site, and another three years of advice and assistance before the community is on its own.

"If we had enough time to go with this system, we could eliminate many of the dangers," said an Indonesian official.

"Unfortunately, sometimes we have to finish in three years, or sometimes two. Sometimes we plan and act simultaneously: what we call plan-as-you-proceed."

An official from a foreign funding agency described plan-as-you-proceed in this way: "As soon as anyone finds any land which is vaguely empty you move people in."

Two-thirds of all government-sponsored transmigrants are landless peasants, the poorest of the countryside. Another 10 per cent are homeless city dwellers. This means most are not experienced farmers. The most successful are often "spontaneous" transmigrants, because they are motivated enough to move on their own initiative, and can choose where to live — usually near friends who help them through the difficult early years.

A survey in 1976 showed that seven years after settling, most spontaneous migrants have a higher standard of living than "official" transmigrants. Recognising this, the government is now trying to encourage spontaneous migration.

The least successful migrants — and the least popular with other settlers and neighbors — are the urban poor.

"It has been a bad experience sending people recruited from the Jakarta slums," one official said. "They won't cultivate the land. They go back to town. That's our biggest failure. That's why many regions reject transmigrants from Jakarta."

Until 1973, people from Jakarta were often almost press-ganged into moving. Now volunteers outnumbes available places on the program, the government claims.

An American working as a consultant on the project said that as officials were constrained to meet the new targets, they became less selective about proposed sites and who they move.

He said: "It's still a voluntary program, but they are increasing pressure on people to sign up. The government is increasing the hype, but now people know more about the program than they used to, so they're less easily fooled."

Few migrants go back to their villages, but stories about transmigration trickle back, not all of them encouraging.

Each family is promised a house and from 2.5 to 4ha, about half of which should be cleared before they arrive. The logistic problems of building whole towns in empty and isolated areas plague the program, however.

Sometimes the department responsible for moving the settlers gets them there before other departments have finished clearing the land, building roads and houses, or ensuring a water supply. This is common enough now for the government to offer the people a small fee (less than $10) to build log cabins.

Transmigrants all receive food rations for the first year or two. The standard issue is 17.5kg of rice a month for males, 10kg for females and 7.5kg each for three children.

Each family also receives a monthly supply of salt, salted fish, cooking oil, kerosene, sugar, and washing soap.

In theory, a husband and wife can bring only three children with them, but studies have found one-third of the transmigrant families number six or more.

Extra children do not entitle a family to extra food. Settlers still need cash, however. This they can earn only by selling surplus crops, providing they can transport them to a market.

In 1977-78, the government built three medical clinics, seven elementary schools, and five houses of worship on transmigration sites. Perhaps luckily, in the same year, officials were able to move fewer than 60 per cent of the 105,000 planned.

Rachmat Wiradisuria, assistant Minister for the Environment, said: "Not being able to meet our target figures for transmigration was a blessing in disguise. It gave us a chance to learn from our mistakes."

With Java's population increasing by about 2 million a year, government officials no longer claim transmigration will relieve population pressure.

What then is the point of this expensive and ecologically dangerous scheme? The new official rationale is that transmigration helps Indonesia grow food and promotes regional development.

An economist who studied the program for the World Bank found production was abysmally low except in the 10 per cent of settlements which have tree crops or irrigated rice fields.

"None of the other settlements had returns anything like what the World Bank said would be the minimum feasible in its economic justification for the program," the economist said. "There is a small net increase in food production, but it doesn't justify the investment. It would make much more sense to invest the money properly and buy in that small amount of rice."

The real motive for the program, many believe, is "Javanisation". The indigenous population of the many islands under Indonesian rule (notably Kalimantan, Irian Jaya, and Timor) have rebellious tendencies.

They have their own cultures, languages, and religions, and do not want to be part of Indonesia.

Many islanders deprecate transmigration as a move to swamp them with people who share an ethnic and religious identity with Indonesia's military rulers.

The government now has a policy of allocating 10 per cent of each settlement to local people, but that only moves the line between natives and settlers, it does not eliminate it.

In the end, what keeps transmigration going is that plenty of Indonesians want land so badly they are willing to endure the hardships of pioneering to get it.

Only a few worried observers ask how many are pinning their hopes and dreams on land they, themselves, are helping to destroy.

New Scientist

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The following articles are unofficial extracts and not full translations of the original.

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Transmigration

THEY ARE HUNGRY, THEY ARE ANGRY

(TEMPO, July 13, 1985 - MN)

Thousands of transmigrants storm the neighboring village, 26 homes turn into ashes. Why have they gone berserk?

Like a flame the anger spread over the wooden homes of the transmigrants. Thousands of transmigrants from the "E" unit of the Wonomukti, Moutong Subdistrict, Donggala settlement flocked together and then stormed nearby Bolano village. Houses were levelled to the ground and smoke rose from the ruins of 26 houses, and fights were unavoidable. This happened at the end of last month.

And the small village in Central Sulawesi, near Tanjung Santigi and Teluk Tomini, became quiet. Some residents out of 300 family heads left their village, while security troops kept order.

The riots would not have occurred if Soenarto, 50, was not killed. When he did not return home, his fellow transmigrants were suspicious, especially when there was a report that Narto was killed by a gang. That very day they called in groups on the Bolano village chief, expressing their suspicion. "The transmigrants even threatened to burn down the people's homes," said a source.

The burning did occur. It appeared as if the village was attacked by robbers. The houses of the village government officers and of the population were in ruins. Smoke was seen rising. And Narto's dead body was found buried in a hole of half a meter deep.

Having dug up.....

Having dug up the dead body, the transmigrants' temper rose again. A policeman who appeared on the scene was caught, tied and used as a hostage. Only after the Muspida from the Kabupaten of Donggala and Central Sulawesi and security officers arrived from Palu -- after having travelled more than 300 kms -- was the situation under control. Four men who killed Narto and the two others who joined in burying the dead were arrested.

Coconuts were the cause of all this. On the fateful day Narto climbed a coconut tree to pick some fruits owned by a local inhabitant. Four men who saw him attacked when he climbed down. It often happened,according to the local population, that the transmigrants stole coconuts. Also they often demanded timber or corrugated iron from the local people. But nothing unpleasant happened.

But the cropped up sentiments and social envy which Transmigration Minister Martono often described as the cause of conflict pushed the local people to act. But in the Wonomukti case, it was the transmigrants who were aggressive, which rarely occurred. Minister Martono himself was not yet sure about the cause of the conflict. "I am gathering information and I've sent a team to investigate the event at Wonomukti."

Some matters which often cause a conflict between the natives and the newcomers concern lack of understanding of local customs. Also envy about the land problem.

But the land in Taopa Lambunu, as the area is popularly called, is not worth fighting about. The 11,000-ha area opened in 1981 depends on rain water. Only sweet potatoes and corn grow there. And they are not much worth when sold. This situation pushes the transmigrants to earn a living as construction coolies far from the location. For example, Achmad who works as a daily worker at the Parigi-Poso irrigation project.

"They've asked for irrigation," said Central Sulawesi Gevernor Galib Lasahido, some time ago. A plan was made by the Public Works representative office, and the cost was estimated at Rp.6 billion. "Since the fund from the State Budget was limited, we've sought to get foreign aid," said Soenardi Hadisupadmo, the head of the provincial public works office, to Andie H. Makasau from TEMPO.

Coordination was said to be another problem. This year coordination was weak indeed. No meeting was ever held between the transmigrants and those in charge of them. K. Chairuddin. the head of the local transmigration office, told reporters, "We've just brought the people here, and then other offices are invited to join."

In any case, a clash has occurred. Some of the 17,000 transmigrants -- now in the fourth year in the area when government supplies were stopped while they were not yet settled -- are really threatened by a food shortage.

"We are hungry....

"We are hungry sir," said a transmigrant who was considered exemplary, crying and catching the legs of the commander of the subprovince military command Colonel ZB. Palaguna.

A woman said, "I swear, sir, we eat only sago and dried cassava and nothing else."

In such a situation, anything no matter how insignificant was felt to be painful. Let alone the murder of a friend. It was not surprising that the transmigrants from Jakarta and West Java went berserk.

But Minister Martono did not quite agree that the transmigrants were short of means before their lands became productive. "Well, that could be made the reason. But they also know and they were informed that they were given supplies for only a year. So they should have prepared themselves long ago."

Now that there were victims, things seem to be started all over again. "They've agreed to make peace," said Governor H. Galib Lasahido. There would be a friendly get-together where they would forgive one another. But nobody knows what will happen if the source of the problem, namely irrigation for the land, is not solved.

* * *

Editorial:

DISCUSSION ON CORRUPTION

(KOMPAS, July 13, 1985 - MN)

Perhaps people will shrug their shoulders and comment, "Oh. Lord, they're just talking about corruption, and then only because of a newly published book, "Bunga Rampai Korupsi."

Against corruption we may not be indifferent. It is no just unfair, or say, in conflict with the five principles of the concept of power, but indifference will rather enhance corruption.

The Indonesian economy has been opened for 15 years. The management and the opening of the economy demand the cooperation of the bureaucracy and business. The volume between the bureaucracy and business is as big as the expansion of the economy.

The opening of the economy has brought about prosperity, if not for all the people, then for those who are directly involved. The open economy and growing prosperity have brought about changes in orientation and values. There is, for example, consumerism.

For development....

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PROBLEM OF TRANSMIGRATION IN IRIAN JAYA
(KOMPAS, Feb. 28, 1985 - MN)

Though the government considers the sending of transmigrants to Irian Jaya important, it must be realized that those sent there are human beings. So it should not be oriented purely to targets, but there should rather be a more humanitarian approach, based on psychological, sociological and anthropological studies.

This is the core of the statements of DPR Commission IV Chairman Warno Hardjo (F-KP), Commission IV Deputy Chairman Imam Churmen (F-PP) and Isa'ac Saujay (F-KP) to this newspaper. The three DPR members were met on separate occasions and asked to comment on the statement of Transmigration Minister Martono issued on Monday after the Minister was received by President Soeharto at Bina Graha.

Isa'ac Saujay, who originates from Irian Jaya, regarded Minister Martono's statement that implementation of the transmigration program in Irian Jaya would be carried out cautiously and not recklessly considering the existence of rather big cultural differences as not quite clear. "I've tried to understand it, I can't grasp the meaning," he said.

Unlike the three DPR members, Roch Basoeki Mangoenkoeroyo, the director of the LKPI (Indonesian Transmigration Pioneering Institute), supported the Transmigration Minister's view that the number of transmigrants to Irian Jaya was not to be reduced.

cf.

In the opinion of Warno Hardjo, the government has to prepare itself better in undertaking the transmigration program with respect to both natural resources and human resources.

The problem.....

* * *

TRANSMIGRATION IN IRIAN JAYA

By Mubyarto

(KOMPAS, March 5, 1985 - MN)

In October 1984 combined team of the Yogyakarta P3PK-UGM and the LPP (Plantation Training Institute) at the suggestion of the Junior Minister for Cash Crop Production visited general and PIR-BUN transmigration sites at Sintang, West Kalimantan. Before the team returned to Yogyakarta, the Transmigration Minister invited it to make a similar study tour of transmigration sites in Irian Jaya.

Predictably, the team's observation got much attention, not just from the domestic, but also from the foreign, press. Unlike transmigration in West Kalimantan or Jambi, for instance, transmigration to Irian Jaya directly involves Indonesia's foreign policy.

That was one of the considerations of the team to present a brief report at the routine monthly seminar of the P3PK-UGM on Feb. 7, 1985. Materials for the seminar were derived from a small part of the 100-page report sent to the Transmigration Minister a week before the seminar.

The media must be considered to have contributed greatly to the dissemination of the result of the team's study, but the team does not wish to see the press reports create a controversy between the team and the Transmigration Department, and especially not when they lead to a debate on target.

The team's report does not contain a proposal for "changing the target" set for Pelita IV. The six-day field trip did not make the suggestion of an "alternative target" possible.

The team's suggestion is that the problems faced are many and complex, and in order to reach the aim of transmigration for the resettlers, the local inhabitants and Irian Jaya as a whole, the "quality" of the program must truly be raised.

The special character of transmigration is immediately evident in the possibility of the local people "lagging behind" the newcomers. An excerpt from the team's report is as follows: "Though there are not yet convincing data, there is a very great increase in the economic activity in Irian Jaya, especially with the transmigration program. True, there is trend that a greater role is played by the newcomers who appear to be quicker in using economic opportunities. Yet as building, river and sea transportation workers, the local people appear to stand out. If there are more evidences of the local people 'being behind' in the 'competition' for jobs, there is need for a special policy to deal with it by considering social-cultural and non-economic values so that the 'participation'of the native sons is truly guaranteed."

The team suggests the combination of the national program of transmigration with the regional (village community) development program. The human element figures greatly in development programs in Irian Jaya.

We have once concluded that at this time transmigration is not just a program, but a national phenomenon or reality. It is no longer questioned whether it is necessary or not but what the best and most efficient way is to implement it. This is the most relevant way to look at the transmigration problem. It is obviously not just the task of the Transmigration Department alone but of almost all government departments.

The problem of human resources concern not just the cultural differences between the newcomers and the local inhabitants; many other problems have to be considered. For example, there should be a psychological, sociological and anthropological approach. Only in this way can there be a dialogic communication.

Isa'ac Saujay shared this view. He said that as contained in the GBHN, the transmigration program has to consider national defense-security interests and the integration of the transmigrants with the local communities. "What's prosperity for if the newcomers and the local people cannot meet and understand that they are fellow citizens," he said.

But he added, as Imam Churmen also pointed out, that the technical problems in the preparation of the resettlement sites had to be handled thoroughly. For example, problems involving transportation, the preparation of lands, dwelling sites, water supply.

Interdepartmental

With the preparation of the natural and human resources, according to Imam Churmen, the local inhabitants are expected to be fully prepared physically and mentally to accept the resettlers; so also the other way around.

Churmen said that before a party of transmigrants arrive at the new dwelling site, an exploratory trip had better be made by one of them in advance. The group should not be disappointed seeing the site that is not as promised. "This will have a big psychological effect," he said.

What Churmen said was experienced by a group of transmigrants at Nimbokrang I, who were shocked to find the situation at the location chaotic, far different from what they heard when they were to leave for the place.

Nonetheless, it was admitted that objectively not everything is a failure. There are also many success stories. And if the successes are to be maintained, there has to be good interdepartmental coordination. The present system is already good; the transmigration site can be occupied only if there is a clearance from the Governor or the local Bupati. In the opinion of Roch Basuki, Cenderawasih University, too, has to be involved, of course, in cooperation with the Bogor Institute of Agriculture (IPB) and Gadjah Mada University (UGM).

Javanization

The three DPR members reject the opinion that transmigration to Irian Jaya is a Javanization scheme. For transmigration is the one and only means to develop Irian Jaya so as not to lag behind. The question is how to convince the native population that transmigration precisely seeks to speed up the raising of their living conditions. And the negative voices from Papua New Guinea should be faced by the Indonesian communities themselves, especially the Irian Jaya people. Both the traditional, religious and community leaders and the government should jointly oppose the Javanization issue launched by the PNG.

"Though it is actually a domestic problem, we have to show the true reality so that things cannot be exploited by the GPK-OPM (Troublemakers - Free Papua Organization)," said Warno Hardjo.

* * *

"We are hungry sir," said a transmigrant who was considered exemplary, crying and catching the legs of the commander of the subprovince military command Colonel ZB. Palaguna.

A woman said, "I swear, sir, we eat only sago and dried cassava and nothing else."

In such a situation, anything no matter how insignificant was felt to be painful. Let alone the murder of a friend. It was not surprising that the transmigrants from Jakarta and West Java went berserk.

But Minister Martono did not quite agree that the transmigrants were short of means before their lands became productive. "Well, that could be made the reason. But they also know and they were informed that they were given supplies for only a year. So they should have prepared themselves long ago."

Now that there were victims, things seem to be started all over again. "They've agreed to make peace," said Governor H. Galib Lasahido. There would be a friendly get-together where they would forgive one another. But nobody knows what will happen if the source of the problem, namely irrigation for the land, is not solved.

* * *

Editorial:

DISCUSSION ON CORRUPTION

(KOMPAS, July 13, 1985 - MN)

Perhaps people will shrug their shoulders and comment, "Oh. Lord, they're just talking about corruption, and then only because of a newly published book, "Bunga Rampai Korupsi."

Against corruption we may not be indifferent. It is no just unfair, or say, in conflict with the five principles of the concept of power, but indifference will rather enhance corruption.

The Indonesian economy has been opened for 15 years. The management and the opening of the economy demand the cooperation of the bureaucracy and business. The volume between the bureaucracy and business is as big as the expansion of the economy.

The opening of the economy has brought about prosperity, if not for all the people, then for those who are directly involved. The open economy and growing prosperity have brought about changes in orientation and values. There is, for example, consumerism.

For development....

Editorial:

TRANSMIGRATION IN IRIAN JAYA
(MERDEKA, Feb. 27, 1985 - FM)

Transmigration has become quite a serious problem in this country, especially in relation to the national development. The more development progresses, the bigger its challenges. The problem concerns not only the capital resources but also human resources which are one of the factors which need to be fundamentally solved.

We underscore, in this case, the government's transmigration policy. Indeed, it has a noble and beautiful aim. Transmigration is intended to distribute development in various fields. The burdens of the overpopulated regions where poverty generally reigns due to the thinly distributed wealth, including shortages of lands for tillage, should be lessened. For this purpose there is of course the need for a well-coordinated and well-organized resettlement program in order to lessen the economic pressure in the overpopulated areas, and to open up new resettlement areas in the underpopulated regions where virgin lands abound.

Unfortunately, the transmigration policy in independent Indonesia is, behind its noble aim, not free from weaknesses and even faults. While in the colonial days transmigration was identified with a colonization and the "contract labor" system in the plantations belonging to the colonial masters in, for example, Deli, East Sumatera, and even Lampung, the transmigration during the independence days is oriented to another thing. It is meant to spread productive manpower to develop the country. A beautiful slogan indeed.

However, it has also encountered bitter experiences. In the early days of the 1960's the transmigrants from Java who were placed in the Seram Island, Central Maluku, were killed by the local people. The reason was simple enough. There was no harmonious relationship between the resettlers and the local inhabitants. Under such circumstances, suspicion comes up very easily, leading, subsequently, to horrible action. The cause is that the transmigration program has not been basically and well prepared. This should serve as a lesson in how the trasmigrants become an object of hatred among the local people of a region where the former are sent.

Just like the family planning program, the transmigration program is a national priority. Indonesia is loudly lauded for having been able to move 500,000 families in one Pelita to make a success of its transmigration program. The international circles view it as tantamount to moving a population from a little country. It is a development success.

Unfortunately the transmigration in Irian Jaya now becomes a problem. It is interrelated with the ethnic, cultural, religious, OPM (Free Papua Organization), border-crossing, Melanesian pride and so on. There is concern about a large-scale transmigration program in Irian Jaya. Those who are against it assume that the moving of an entire village to another settlement is some sort of a "socio-cultural colonization." Worse still, transmigration, as recently observed by a scientist, is likely to be regarded as "Javanization."

All these.....

All these are a bad, poisonous and unconstructive assumption However, one should not overact and ignores warning, if any. Recently the Gajah Mada University in Jogya held a seminar on transmigration. The seminar discussed matters to be taken into account in the resettlement of people in Irian Jaya where there is sensitivity among the local people in adapting themselves to their brothers from another region. The university also despatched a special team headed by Prof.Dr. Moebyarto to observe and analyze the program over there. The team has offered a recommendation that the transmigration program be not "forced" to reach its target. The government appeared to be inclined to give thought to the recommendation.

But, in his statement to the press following his meeting with President Soeharto at Bina Graha last Monday, Transmigration Minister Martono seemed to show the government's real attitude. The transmigration to Irian Jaya would be increased to 136,000 families, declared the minister. Martono said the anti-transmigration attitude is a political move made by the Free Papua movement (GPM).

Surely the government has the right to maintain and even increase the transmigration-program target. But apart from the mere ambition to make a success of the program, we ought to think of a way to deal with the GPM (Free Papua Movement) maneuvers, to bring the resettlers into harmony with the local people, to show the national government's competence in Irian Jaya without incurring any new side-effects, and to develop Irian Jaya without having to disrupt the national unity and union. What is the use of attaining targets at the expense of political security, social harmony, and even at the risk of creating a disintegration which is not wanted by anybody except Indonesia's enemies?

A certain impression, though naive, should be made known. That is, the idea that the transmigration, as it is now, is still in the context of "dumping the population excesses from Java outside the island" on a large scale. Certainly this is a negative voice but it is necessary to eliminate the idea to prevent it from becoming a widespread issue.

In connection with the development of Irian Jaya, its peculiar economic conditions which can be modernly exploited should be studied. A DPR member from Irian Jaya is of the view that as the quality of the soil in Irian Jaya is not suitable for agriculture, its economic development should be stressed on the mining and industrial development sector.

This means that the transmigrants to Irian Jaya should comprise agriculturally and technically skilled people who can be employed to form the backbone of the human resources in the work to start mineral and industrial projects in the region.

* * *

TRANSMIGRATION TO IRIAN JAYA NEED NOT BE INTENSIFIED
(KOMPAS, February 27, 1985 - MN)

Resettlement in Irian Jaya should not be stepped up, and in fact the program for Pelita IV had better be rescheduled.

This was stated by Dr. Gunawan Sumodiningrat, a staffer on the Gajah Mada University Center for Rural and Regional Studies (P3PK UGM).

Transmigration Minister Martono said the day before yesterday that resettlers for Irian Jaya would be increased rather than reduced. However, the implementation of the program would not be rash but more cautious in view of the rather big cultural differences between the newcomers and the native inhabitants.

Gunawan said in Yogyakarta yesterday that "without touching on the possibility of a social conflict, as Minister Martono said, from the economic aspect alone there are plenty of obstacles that have to be cleared first."

At the invitation of Minister Martono a seven-man P3PK team under Prof. Mubyarto observed the transmigration program in Irian Jaya in mid-January. Gunawan Sumodiningrat was a member of the team.

Though Minister Martono said that in Pelita IV the government set a target of 136,000 families for resettlment in Irian Jaya, official figures show that during Pelita IV 137,800 families or 691,000 persons are to be resettled in the territory. This is quite a drastic increase considering that the total number of resettlers up to the end of Pelita III was 14,196 families or 59,704 persons.

"This represents an almost tenfold increase," said Gunawan, who considered the plan too optimistic. He wondered whether such a program could be accomplished. Not just are there many and complicated obstacles in the field, but recent experience has shown that many of the targets were not attained at all. For example, for the end of 1984 only 200 persons out of a target 500 persons were resettled.

Gunawan said transmigration is not just a matter of moving people from Java to new places. Transmigration must be viewed as an endeavor to raise the living standards of the resettlers as well as the local inhabitants.

Irian Jaya is vast, with a natural environment which differs from that in Java and with a relatively lower development level. The study of the minimum preconditions of the social-economic aspects must get special attention. They cover preparations for dwelling areas, lands for cultivation, and factors to smooth up economic activity, like the marketing of goods needed by the resettlers as well as the goods they have produced.

According to Gunawan, the target sites are partly in areas subject to floods. The salinization process which reaches as far as 80 kms from the coast-line encumbers the search for drinking water and preparation of land for tilling. Also there is need for special building materials, for roads and special means of communications, all of which add to the cost of preparing the transmigration sites.

Australian 13 4 84

Indonesia to 'relocate' 700,000 from Java to Irian

From correspondents in Jayapura and Port Moresby

INDONESIA plans to move nearly 700,000 people from the overcrowded island of Java to the remote province of Irian Jaya over the next five years, a move which would also help solve Indonesia's serious political problem – the tide of nationalism among the Irian Jayans.

The head of the Provincial Transmigration Office in Jayapura, capital of the province, Mr Eko Sarwoko, told Reuters the voluntary migration of 689,000 Javanese to Irian Jaya, would help economic development, promote Indonesia's unity and benefit security.

Threatened

It will boost the population of the vast under-developed region to nearly two million under the 1984-1989 five-year plan.

Irian Jaya's Governor, Mr Isaac Hindom, denied the migrants from Java would dominate the local Irianese, mostly Melanesians of similar ethnic origins to the people across the border in Papua New Guinea.

He said he disagreed with those who thought the migration would wipe out Irianese

But, in an indication of the political motives behind the move, he said the Irianese would only occupy 25 per cent of the houses and fields in new settlements being built to "promote integration".

The migration plan is part of a national program to move over 3.7 million people from the central islands of Java and Bali to Sumatra and outlying parts of Indonesia by 1989.

About 100 million of Indonesia's 160 million people live in Java. Irian Jaya is four times bigger but is thinly populated.

"I am proud because we can offer Java a place where they (the migrants) can live and develop," Governor Hindom said in an interview. "So Java needs us as we need Java ... and we can work together to build the country."

Transmigration to Irian Jaya began in 1964 after Indonesia took the province over from the Dutch, but Governor Sarwoko said only 68,000 outsiders had moved in under the program so far.

Meanwhile in Port Moresby, the Papua New Guinean leader, Mr Somare, yesterday threatened to expel Irian Jayans in PNG who lend active support to Free West Papua (OPM) rebels. He said he had some sympathy for Melanesians in Irian Jaya but he would not allow PNG to be used as a base for violence.

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culture or Islamicise the province, whose people are mainly Christian in a country which is 90 per cent Moslem.

He said the region was stronger as part of Indonesia than it would be as a separate sovereign state.

Pressure

Many families of government officers at the frontier have said they are nervous about increased rebel activity and reported clashes with Indonesian troops.

Mr Somare's comments come as two 30-man police riot squads prepared to visit remote border posts in a security check.

"Obviously Irian Jayans living in Papua New Guinea sympathise with their comrades. This we can understand and tolerate," Mr Somare said.

"What we cannot tolerate is when this sympathy extends to violent threats, blackmail and kidnapping."

An OPM spokesman said publicly in Port Moresby last week a Swiss pilot kidnapped in Irian Jaya and later released unharmed would be executed if a ransom were not paid.

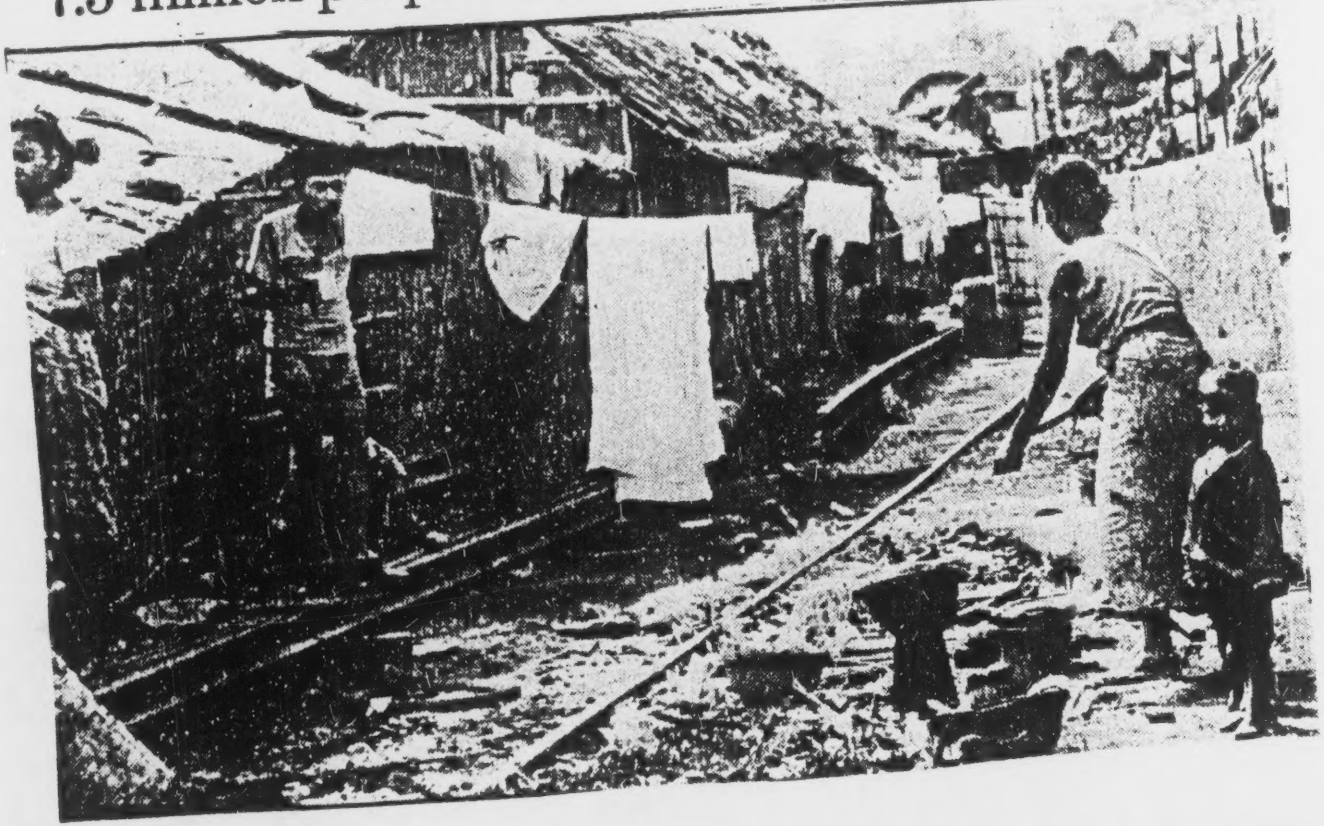
A rebel group led by the self-styled president of the OPM, James Nyaro, crossed into PNG last weekend to hand over the Swiss pilot they had held hostage.

Mr Somare said Melanesians in Irian Jaya were faced with a difficult situation that also presented problems for Papua New Guinea.

Meanwhile Colonel Sebastian Ismaeil, the military attache at the Indonesian Embassy in Port Moresby has left for Jakarta after pressure from PNG over the alleged incursion of its territory by two Indonesian jet planes.

Reuter

How the Indonesian Government is moving 7.5 million people from urban areas like this . . .



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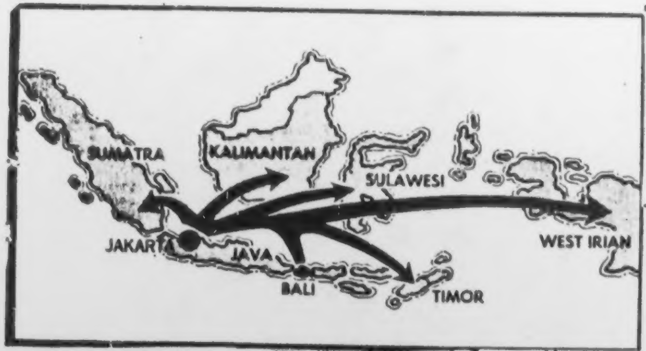
. . . to areas like this in one of the most devastating exoduses ever



Indonesia is a huge country, but most of its people live on two of its 13,000 islands. The government plans to change this by moving 7.5 million to remote areas — a plan that has devastating human and environmental consequences. CATHERINE CAULFIELD reports on the great experiment.

FORGET the TransAmazonian Highway. Forget the West Bank of the Jordan. These and all other colonisation schemes in the world pale beside what is happening now in Indonesia.

The country's current five-year plan calls for 2.5 million people to move from the most crowded islands to the so-called outer islands between 1979 and 1984. It was a daunting goal but the Government looks like achieving it.

Encouraged by that success, the authorities want to move twice as many in the next five years.

The movement, called transmigration, has been going on in Indonesia since early this century when the Dutch colonial government imported workers from other islands for the Sumatran rubber plantations.

Since independence however, the pace has increased dramatically. Between 1905 and 1950 the government moved fewer than 220,000 people to the outer islands. Between 1950 and 1983 more than 10 times that number were moved. Probably an equal number moved independently.

And because the aim is to move people from the crowded settled areas to the frontiers, transmigration has had an enormous impact on the country's rain forests. Parts of Sumatra and Sulawesi, formerly heavily forested and virtually uninhabited, are now as crowded and devoid of trees as parts of Java are.

In the 1950's President Sukarno called migration to those islands "a matter of life and death for the Indonesian nation".

The problem was, and still is, overcrowding on the more fertile of the 13,000 islands in the Indonesian archipelago, particularly Java and Bali. The tiny island of Bali is one of the most densely populated places in the world. It has fertile soils, laid down over thousands of years by erupting volcanoes, an ancient and efficient system of rice terraces, and a strong culture. All these things have enabled the island to support a large population with some of the most intensive agriculture in the world.

But as Bali's population grew, the subdivision of each family's land became smaller and smaller. Today the average holding of each farming family on Bali is only 0.1ha. Many younger sons have no hope of ever owning land. Since 1960, 120,000 Balinese have left what they call Paradise Island hoping to find land and a better life elsewhere.

The problem is even worse on Java where in irrigated areas, as many as 2000 people crowd into every square kilometre. Four-fifths of Java's 92 million people live in the countryside; of these, 40 per cent have no land at all and another 35 per cent haven't enough land to grow crops they need to feed their families.

One cause of the overcrowding is unfair land distribution. One third of the land in Java is in the hands of one per cent of the landowners.

The outer islands of Indonesia, notably Sumatra, Kalimantan (the Indonesian section of Borneo), Sulawesi, and Irian Jaya (the western half of the island of New Guinea) are relatively empty, but not so hospitable.

Their soil is weathered and relatively infertile, not suitable for intensive agriculture or dense populations. Until recently, these islands were inhabited mainly by small isolated groups of people who hunt, fish and practise shifting cultivation in the forest.

Kalimantan has fewer than 10 people per square kilometre; Irian Jaya fewer than three.

However, thanks to these long undisturbed, forested islands, Indonesia has one-tenth of the world's tropical rain forests, more than any other country save Brazil.

To the world at large the outer islands of Indonesia have for many centuries been unknown wild places. But by the beginning of the 20th century, as the inner islands grew increasingly crowded, those empty and unknown lands bagan to seem a wasted resource.

President Sukarno, like the Dutch before him, saw transmigration as the solution.

Indonesia, he said, did not need birth control. Instead Java's population was to be reduced from 54 million to 31 million between 1950 and 1985 by moving people to the outer islands. Plans for the program changed frequently as the government was unable to meet the ambitious goals it had set itself.

Although there is some good agricultural land in the outer islands, most of it is already spoken for by indigenous people, spontaneous migrants and owners of large plantations.

Most of the settlements so far have been in forested areas. Although machetes and chain saws do less damage to the soil than heavy equipment, the rush to meet the target of half a million families in five years means that most land is cleared by big machines.

Generally the trees are knocked down by bulldozers and then burnt — often before the commercially valuable species have been taken out. Heavy clearing equipment compacts the soil so that it loses much of its capacity of retaining water.

Hard rains then erode the land, silt up nearby rivers and dams and lead to flash flooding as the waters sheet along the surface to the ground.

In 1979 President Suharto banned the clearing of primary forests for transmigration. The plan was to settle families on Indonesia's vast and expanding areas of alang alang grassland.

Alang alang is a coase grass that invades deforested land that has been badly burned.

Officials at the World Bank believe one weakness of transmigration is the way the government sites for new settlements are selected.

Government officers have often overrated the quality of available land. For this reason the World Bank has car-

Cont next page . . .

marked $120 million of the $350 million it has lent to the program for working out better ways to select new sites.

One official warns, however, that better planning may bring "a big conflict over site availability".

"Already there is a tension in the system because the consultants are recommending exclusion of ore sites," he said.

"I believe the Government will run out of sites before they meet the resettlement goals but the government doesn't share that view.

"One problem is that appearances are deceptive. It looks as if there is a lot of land in east Kalimantan and Irian Jaya, but it's impractical to settle there."

Transmigration officials agree there are problems. With the flatlands fully occupied in many parts of the country, more and more new settlements are on marginal land.

There, people tend to plant tree crops which, because they cover the soil permanently, can be grown on slopes as steep as 15 per cent. Annual crops are restricted to slopes of 8 per cent or less, because of the dangers of erosion.

The procedure the government lays down for setting up transmigrant communities calls for five years' planning and preparation before anyone moves to the new site, and another three years of advice and assistance before the community is on its own.

"If we had enough time to go with this system, we could eliminate many of the dangers," said an Indonesian official.

"Unfortunately, sometimes we have to finish in three years, or sometimes two. Sometimes we plan and act simultaneously: what we call plan-as-you-proceed."

An official from a foreign funding agency described plan-as-you-proceed in this way: "As soon as anyone finds any land which is vaguely empty you move people in."

Two-thirds of all government-sponsored transmigrants are landless peasants, the poorest of the countryside. Another 10 per cent are homeless city dwellers. This means most are not experienced farmers. The most successful are often "spontaneous" transmigrants, because they are motivated enough to move on their own initiative, and can choose where to live — usually near friends who help them through the difficult early years.

A survey in 1976 showed that seven years after settling, most spontaneous migrants have a higher standard of living than "official" transmigrants. Recognising this, the government is now trying to encourage spontaneous migration.

The least successful migrants — and the least popular with other settlers and neighbors — are the urban poor.

"It has been a bad experience sending people recruited from the Jakarta slums," one official said. "They won't cultivate the land. They go back to town. That's our biggest failure. That's why many regions reject transmigrants from Jakarta."

Until 1973, people from Jakarta were often almost press-ganged into moving. Now volunteers outnumber available places on the program, the government claims.

An American working as a consultant on the project said that as officials were constrained to meet the new targets, they became less selective about proposed sites and who they move.

He said: "It's still a voluntary program, but they are increasing pressure on people to sign up. The government is increasing the hype, but now people know more about the program than they used to, so they're less easily fooled."

Few migrants go back to their villages, but stories about transmigration trickle back, not all of them encouraging.

Each family is promised a house and from 2.5 to 4ha, about half of which should be cleared before they arrive. The logistic problems of building whole towns in empty and isolated areas plague the program, however.

Sometimes the department responsible for moving the settlers gets them there before other departments have finished clearing the land, building roads and houses, or ensuring a water supply. This is common enough now for the government to offer the people a small fee (less than $10) to build log cabins.

Transmigrants all receive food rations for the first year or two. The standard issue is 17.5kg of rice a month for males, 10kg for females and 7.5kg each for three children.

Each family also receives a monthly supply of salt, salted fish, cooking oil, kerosene, sugar, and washing soap.

In theory, a husband and wife can bring only three children with them, but studies have found one-third of the transmigrant families number six or more.

Extra children do not entitle a family to extra food. Settlers still need cash, however. This they can earn only by selling surplus crops, providing they can transport them to a market.

In 1977-78, the government built three medical clinics, seven elementary schools, and five houses of worship on transmigration sites. Perhaps luckily, in the same year, officials were able to move fewer than 60 per cent of the 105,000 planned.

Rachmat Wiradisuria, assistant Minister for the Environment, said: "Not being able to meet our target figures for transmigration was a blessing in disguise. It gave us a chance to learn from our mistakes."

With Java's population increasing by about 2 million a year, government officials no longer claim transmigration will relieve population pressure.

What then is the point of this expensive and ecologically dangerous scheme? The new official rationale is that transmigration helps Indonesia grow food and promotes regional development.

An economist who studied the program for the World Bank found production was abysmally low except in the 10 per cent of settlements which have tree crops or irrigated rice fields.

"None of the other settlements had returns anything like what the World Bank said would be the minimum feasible in its economic justification for the program," the economist said. "There is a small net increase in food production, but it doesn't justify the investment. It would make much more sense to invest the money properly and buy in that small amount of rice."

The real motive for the program, many believe, is "Javanisation". The indigenous population of the many islands under Indonesian rule (notably Kalimantan, Irian Jaya, and Timor) have rebellious tendencies.

They have their own cultures, languages, and religions, and do not want to be part of Indonesia.

Many islanders deprecate transmigration as a move to swamp them with people who share an ethnic and religious identity with Indonesia's military rulers.

The government now has a policy of allocating 10 per cent of each settlement to local people, but that only moves the line between natives and settlers, it does not eliminate it.

In the end, what keeps transmigration going is that plenty of Indonesians want land so badly they are willing to endure the hardships of pioneering to get it.

Only a few worried observers ask how many are pinning their hopes and dreams on land they, themselves, are helping to destroy.

New Scientist

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THIS DAM SI 'I

ASHISH KOTHARI reports on the Kalpavriksh study of the impact the

SILENT Valley has been saved, at least for the time being. Unfortunately, the same cannot be said of a massive area of rich forest in the heart of our country, threatened by the proposed construction of a large dam. The area: the moist deciduous forest of central Madhya Pradesh. The dam: the Narmada Sagar Project in the Khandwa district of Madhya Pradesh.

Slated to be commissioned in 1991-'92, the Narmada Sagar Dam is going to be one of India's biggest multi-purpose dams. With a concrete dam 640 metres long and 94 metres high, and a storage capacity of 9.9 million acre feet (MAF), Narmada Sagar is expected to irrigate 1.2 lakh hectares (ha) of land in Khandwa and Khargaon districts. In addition, it will create an installed power capacity of 1,000 mw and supply 73.8 million cubic metres of water for domestic and industrial use. The huge reservoir that will be created will be ideal for large-scale pisciculture, and also for development of tourism. Thus, the dam will bring agricultural, industrial and fisheries revolutions to the region.

Or so the project authorities say. An investigation by Kalpavriksh, the Delhi based environmental group, reveals that the actual impact may be very different.

Perhaps the most disastrous effect of the Narmada Sagar Project will be the loss of land under submergence. The water impounded by the dam is going to spread over a lake some 90,000 ha (909 sq km) in size – the biggest human-made lake in India. Over one-third of this threatened area is forested; in one single blow, 33,000 ha of forests will be wiped out forever. And the figure does not indicate the full implications of this loss, for this area has amongst India's richest moist deciduous forests, dominated by top quality teak. This itself is a good enough reason to question the sanity of the project, for India, down to 10 per cent forest cover, can simply not afford any more large-scale loss of natural forests.

The project authorities claim that adequate compensatory afforestation in the project budget is very meagre. An amount of Rs 31 lakh has been allotted for afforestation, enforcement of anti-poaching laws, fire prevention and establishment of fuel depots and public health measures. Even with the unrealistic assumption that most of this money will be used only for afforestation, this will be adequate to cover only 1,500 ha of land at an approximate average cost, Rs 2,000 per ha. This is not even one-twentieth of the total forest area to be submerged. Second, even supposing that adequate finances are provided, what is the guarantee that afforestation will be with the same species as are lost? It has been observed that in most such cases, afforestation has involved trees which are commercially, rather than ecologically, useful.

Site of the Narmada Sagar project: lack of environmental concern

The destruction of natural habitat inevitably causes the decimation of wildlife. The forests to be submerged harbour a wide range of wild flora and fauna, including many of India's endangered species. The *Detailed Project Report of Narmada Sagar* (July '82) lists tiger, panther, wolf, wild dog, bear, nilgai and langur as some of the animals found in the area.

And what is to happen to these animals if the reservoir floods their habitat? According to the project report, "the impact on wildlife shall be nil, since wildlife has got natural characteristics of shifting to nearby jungles, when it is felt unsuitable for them". In other words, wildlife is expected to relocate itself. But such relocation is possible only if there is adequate contiguous forest. A map of the submergence zone shows that while there is contiguous forest area to the north of the forests to be inundated, this is not so to the south. For the latter, MP's Environment Planning and Coordination Organisation (EPCO) has made a suggestion to create corridors linking the submergence zone with the nearest forest area. This, however, seems highly unrealistic, especially in the south-east and east, where the nearest suitable areas are 100 km and 40 km away, respectively.

Narmada Sagar will submerge over 50 buildings of religious importance. This includes the Singhaji-ki-Samadhi, a greatly revered spot where a large fair has been held for over 450 years. As the project report admits, its loss "may hurt the feelings of East and West Nimar people who have got a lot of devotion and faith in this Samadhi". To their credit, the Narmada authorities plan to relocate this samadhi. But such special treatment may not extend to all the other religious buildings to be submerged. It is interesting to note here that article 3.7.8.2 of the project report states that "No archaeological monument of significant importance is going under submergence." Even curiously, the project documents do not even mention a 500-year-old island fort (Joga Fort) situated on the river within the submergence zone. Attention drawn to this glaring omission has evoked no response from the project authorities

Even more crucial is likely to be the impact of the dam on non-material elements of traditional culture. This includes the disruption of the famous Narmada parikrama, the centuries old practice of circumambulating the entire river on foot and along its banks. The Narmada Sagar reservoir will submerge part of the parikrama route.

Perhaps the most serious effect is likely to be on local tribal cultures. Many tribal communities are going to be thrown into an alien, materialist, consumerist and competitive environment where their complex cultures may just disintegrate.

As frightening as the ecological cost of the Narmada Sagar is the direct human cost in terms of displacement. The dam reservoir is expected to submerge 255 villages, partially or fully, and a *tehsil* town (Harsud). This will displace about one lakh people. There is as yet no comprehensive policy on rehabilitation. There are indications that MP may adopt the policy adopted by Gujarat for relocation of the oustees of its Sardar Sarovar Project, which is a sister dam of the Narmada Sagar on the Narmada itself. If this is so, at least three serious issues arise.

First, the Gujarat policy states that those oustees who lose their land under sumbergence will be

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the Narmada Sagar project in Madhya Pradesh

ASHISH KOTHARI

given equal or greater amount of land elsewhere. But this land for land policy has so far failed in Gujarat itself. In the case of the Narmada Sagar, S. C. Verma, Chairman of Madhya Pradesh's Planning Agency, has himself admitted that there is just not enough suitable land available for pursuing a "land for land" policy. The substitute, of course, is cash compensation, and as Verma says, "it will be necessary to motivate and mentally prepare the oustee families to take to avocations other than agriculture". That this represents a major disruption is obvious. The practice of cash compensation has also been recorded to have already caused, among Sardar Sarovar's oustees, serious social problems like social fragmentation, exploitation by commercial agents, indebtedness etc. It also makes impossible the creation of resettlement colonies with civic amenities, promised by the authorities.

Secondly, the Gujarat policy is heavily biased against the landless, or those who cultivate land that technically belongs to government agencies, such as the forest department. The Narmada Sagar will displace almost 11,000 landless labourers and 900 artisans. Some of these people may get employment at the dam site, but this will only be temporary, and anyway the economic future of the rest will become highly insecure. Again, the worst affected will be the tribal oustee population. Most of these are small farmers living in predominantly forest surroundings. They are not likely to be relocated in similar surroundings. S. C. Verma has clearly stated in this regard that "it is no longer possible to reduce forest area any further".

The third immediate problem is that the Gujarat policy does not provide for basic necessities like fuelwood and fodder to the oustees, not to speak of material facilities to the landless to earn a livelihood.

Large dams all over the world are known to have created serious human health problems due to hydrological and micro-climatic changes. Preliminary studies on the health impact of Narmada Sagar conducted by the Madhya Pradesh Council of Science and Technology indicate that while schistosomiasis and guinea-worm diseases are not likely to occur or increase, incidence of malaria, filaria, cholera, gastroenteritis, viral encephelitis, goitre, and some other water borne diseases is likely to go up. It is extremely unclear how the Madhya Pradesh government intends to cope with this, **especially considering that no funds have been earmarked for health measures.**

While the various costs of Narmada Sagar are very high, some of the expected benefits are uncertain. The proposed irrigation of 1.23 lakh ha in Khandwa and Khargaon districts is expected to yield a four-fold increase in agricultural production. That this may be an unrealistic estimate is indicated by two facts: firstly, due to various reasons an increase in crop yields has fallen far short of target all over India – the Planning Commission has recently noted that instead of yielding four to five tons per ha, irrigated land has on the average yielded only 1.7 tons. The Narmada Sagar authorities provide no convincing answers on why it is likely to be any different in their case.

Secondly, the command area of Narmada Sagar has black soil and certain other conditions which make it prone to water-logging. Indeed, a recent study by the Indian Institute of Science, Bangalore, has warned that as much as 40 per cent of Narmada Sagar's command area is likely to become waterlogged, unless extremely careful and widespread measures are taken.

While judging benefits, there is also the question of the lifespan of the dam. Narmada Sagar is expected to yield benefits for at least 100 years. But Kalpavriksh's observations indicate that the catchment forests of the Narmada are under heavy pressure from a number of sources, and this pressure will be greatly increased due to the boost the dam itself will give to urbanisation and industrialisation. In such a situation of rapid deforestation, soil erosion is likely to be high, and the reservoir could well silt up permanently. This will obviously reduce the total benefits from Narmada Sagar.

The Planning Commission requires that any development project to be given a green signal must show a benefit cost (B-C) ratio of 1.5 to 1, ie, a return of Rs 1.50 for every rupee spent. Narmada Project officials themselves admitted that this leads to a tendency on the part of the dam authorities to exaggerate benefits and underplay costs. As indicated above, this indeed seems to be the case for Narmada Sagar.

But there are other indications of an inadequate or less than honest B-C analysis. For instance, loss of forests under submergence has been greatly undervalued. The cost of Unit 1 of Narmada Sagar (including dam construction, submergence loss and rehabilitation) has been put at Rs 345 crores in the project report. A senior official of EPCO, however, told us that the loss of forest alone is worth Rs 330 crore not to speak of the other components of Unit 1. Similarly, several other costs have been ignored altogether, for example, those of ecological disturbances caused by groundwater utilisation and other hydrological changes (noted by EPCO itself), or those of health measures in the command area. There is also the interesting question of how costs of human rehabilitation have been given even before formulating a rehabilitation policy!

Kalpavriksh has pointed out two other crucial considerations here. First, the B-C analysis totally ignores intangible ecological and cultural damage as a legitimate cost.

Secondly, such analysis always seems to leave out the crucial class factor, ie, who benefit and at whose cost. It is by now evident that most river valley projects in India have overwhelmingly benefited the privileged sections, and at the cost of the already disprivileged.

One final factor in the B-C ratio is that of cost escalation. In 1954, when the first project report on the dam was prepared, the cost had been put at Rs 54 crores. Additional surveys updated the figures to Rs 111 crores in 1969. In 1980, the expected cost had shot up to Rs 622 crores. Certainly by the time the project is commissioned, the actual cost will be much greater.

Partly on its own initiatives, partly as a response to growing criticism, the Madhya Pradesh government seems to have taken a few steps towards a system of environmental safeguards. Apart from the EPCO, a special Environmental Review Committee (ERC) has been set up for Narmada Sagar. For perhaps the first time in India, dam officials of various ranks are to go through a series of environmental training courses. Also some detailed studies on the displacement villages, on flora and fauna in the submergence zone, and other such issues are being commissioned.

These are all welcome steps, but in Narmada Sagar's case not only are they inadequate, but also largely cosmetic in nature. **All these steps have been initiated after work on the project has started,** and after enormous amounts of money have already been spent on planning, site investigation, digging, infrastructure, staff colony construction, etc.

Even the World Bank has fallen for this: in a letter to Edward Goldsmith of *The Ecologist*, R. Goodland of the World Bank states that "the preventive and mitigatory measures financed as an integral part of the project will, we believe, reduce the social and ecological effects so that they are outweighed by the major benefits". It is difficult to understand how he can come to such a conclusion when several preventive and mitigatory measures have not even been thought of or planned out as yet, much less being incorporated into the project budget. Surely this is a mockery of what is called "environmental impact assessment"?

Indeed, the status of the ERC itself indicates the lack of any adequate machinery to ensure environmental safeguards. The ERC has a largely advisory status. Even if it found that long-term environmental costs exceeded benefits, it has no power to halt the project. In such a situation it would be natural for ERC not to make public any findings that could embarrass the Narmada Planning Agency, the top body in charge of the Project. Indeed, the ERC is not even conducting a full environmental impact assessment. This was supposed to have been done by EPCO, but the 120-page report it submitted in 1984 contains more queries and gaps than definitive conclusions and recommendations.

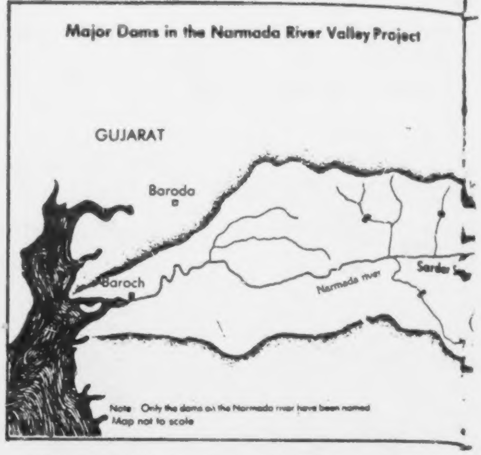
If the government is genuinely concerned about human welfare and about environmental safety, let it immediately halt work on the Narmada Sagar dam, as it did in the case of Silent Valley, until an honest and independent benefit cost analysis is done. Otherwise, the plea that "we have already spent too much money, we can't stop this project now" will overrule any environmental and socio-cultural considerations, however serious they may be.

to the urban consumer, besides ignoring the tribals. This inhuman bias is the real enemy in the battle of Inchampalli-Bhopalpatnam and it remains to be seen if Amte, Lalsham Shah, Bahuguna and 75,000 tribals—and their campaign in the name of 'Manav Bachao, Jungle Bachao' (Save People, Save Forests) can overturn it.

The Colossus of Narmada

As plans go, this one is several times ambitious. Over the next few decades or so, the Narmada Basin Development Programme is to tame the Narmada, the largest west-flowing river in India, and its various tributaries with 329 large dams, 450 medium-sized projects and several thousand minor structures. The projected benefits are enormous: several million hectares of land irrigated; water supply to thousands of industries and households; several thousand megawatts of power; and a near-total 'economic transformation' of the penurious state of Madhya Pradesh. All this at a cost currently estimated at Rs 4000 crore but which is likely to touch an incredible Rs 25,000 crore by the time the projects are completed well into the next century.

The Narmada rises from a holy tank in the midst of a cluster of temples on the Amarkantak plateau in Shahdol district, and travels 1,300 km draining 9.88 million hectares between the Vindhya and Satpura ranges. This vast basin—the average annual flow of the river is 41 billion cum, greater than that of the Ravi, the Beas and the Sutlej combined—is largely untapped because of inter-state water disputes. Only one major project, Barna, has been completed and another at Tawa is nearing completion.



Major Dams in the Narmada River Valley Project

Note Only the dams on the Narmada river have been named
Map not to scale

With no detailed assessment yet of the environmental and human problems this massive damming of the river could create, the programme could very well be a blueprint for disaster. The Narmada, unlike the snow-fed rivers of the north, depends on forests to collect the rainwater which feeds its flow. At the moment, the basin is one of the most densely forested in India but a study group of the Hindu College Nature Club has found that deforestation is already leaving ugly gashes in the greenery.

The massive Nepa Newsprint Mill, which turns out 15 per cent of India's newsprint needs, and the Orient Paper Mill have wreaked havoc in the bamboo amd hardwood resources of the area. Orient now gets its bamboo from Assam. Another menace is mining and the roads, ropeways and housing colonies that go with the mines. For instance, 1,052 hectares of land has been leased to BALCO of which only 80 hectares will actually be mined.

The strain of industrial demands will be added to the colossal trauma of submergence, which is expected to claim 3.75 lakh hectares, destroying some of India's best deciduous forests of teak and bamboo. This is only the immediate damage; the ecological instability cannot be quantified. The authorities do not seem to be bothered about this: the afforestation grant in the Narmada Sagar Project Report, for a dam expected to drown 85,000 hectares of forest, is a measly Rs 60 lakh, enough for 3,000 hectares.

The authorities are not bothered about quite a few other things. Wildlife, of which there is a rich variety in the basin, is supposed to relocate itself, that is, move out of the submergence area on its own, which means that only the most alert animals will survive. Rare wild flora, of course, could not relocate itself. About 80,000 hectares of rich cultivable land will go under, and farmers may not find as productive a substitute elsewhere.

There is also the problem of fodder to replace that from the thousands of hectares of grazing lands lost. The government has given no thought to this problem. Temples are also among the victims. The Sardar Sarovar dam will

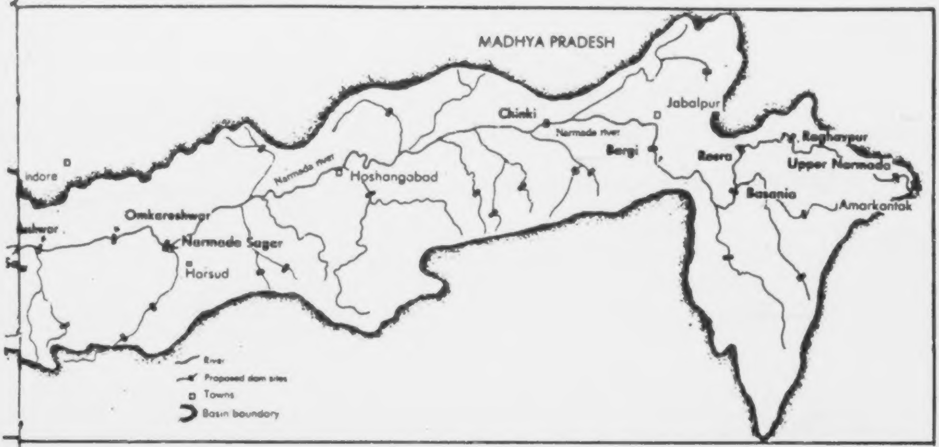
Who Needs More Dams ?

Criticism of India's surface irrigation schemes has come from the Planning Commission which is busy preparing the Seventh Five Year Plan. In a review released to the press in late 1983, the Planning Commission concluded that the stress in irrigation planning should move away from new projects to better management of existing projects to bridge the gap between the potential created and its utilisation. Command area development had to be given high priority.

In 1983, Irrigation Minister R.N. Mirdha told Parliament that of the 205 major and 916 medium irrigated projects taken up since the beginning of the five year plans in 1951, as many as 176 major and 447 medium projects have not been completed. As many as 13 major projects out of 25 taken up during the first plan (1951-56) are yet to be completed. Thirty-two major projects have shown cost overruns of 500 per cent or more. Since 1951, no irrigation or hydroelectric project has been completed on time and within the cost estimates. As a result, the shortfall in the irrigation potential target and actual achievement has been as big as 20 million hectares and it is now estimated that Rs 14,000 crore will be needed to bridge this gap.

States are more keen to take up new projects and spread their resources thin than take up projects that aim at lining of canals. If the productivity of irrigated lands can even reach 2.5 tonnes to 3 tonnes per hectare, not a high yield by international standards, an additional grain output of 60 million tonnes to 90 million tonnes will be easily available. As a commentator in 'The Economic Times' put it recently: "Does India need any more new irrigation projects for the next two decades for producing an estimated 215 million tonnes of foodgrains by then? Apparently not."

The Economic Times also said in an editorial: "One only hopes that both the Planning Commission and the Irrigation ministry would be able to resist pressures from chief ministers who are put to secure a pre-election bonus of a few new projects on paper. Let the seventh plan be without any new irrigation project."



submerge the important pilgrimage shrine of Suparneshwar in Gujarat as well as the Shiva temple at Rajghat near Barwani in Madhya Pradesh. The colossal Narmada Sagar dam near Punasa in Uttar Pradesh will inundate the 500-year-old fort of Joga.

Narmada Sagar, in fact, is a perfect example of the price that has to be paid for 'prosperity'. Its reservoir will spread over 910 sq km and will submerge over 40,000 hectares of agricultural land. Some 1.2 lakh people in 326 villages (including the tehsil town of Harsud in Khandwa district) will be displaced—compensation for them will amount to Rs 200 crore—as will 32 km of rail track whose relocation will cost over Rs 65 crore. Currently, the dam is expected to cost Rs 920 crore, which is already 50 per cent above the original estimate.

The biggest victims will be tribals. Large tribal populations of Bhils, Bhiladas, Gonds, Korkus, Kirs and Bhaiyas live in the Narmada valley and the projects will completely destroy their lifestyles—cultural annihilation – or make them even more dependent on the remaining forests: further ecological destruction.

For the million people who will be displaced by the projects the future is bleak. The Narmada Water Disputes Tribunal has directed that each landowning family which loses at least 25 per cent of its land is to be allotted as much land as is lost with a minimum of 2 hectares. But the land for land policy does not always work and, in Gujarat—where rehabilitation work has begun—it has been one continuous headache for the oustees: inadequate compensation, dispersal of tribal communities over several villages, and the fact that compensation is given for only the land actually lost, even though the entire farm may have to be shifted. This when several voluntary agencies have supervised the rehabilitation operations and campaigned repeatedly on behalf of the oustees. In most situations, such committed voluntary agencies do not exist.

But for the elite who work on the dam sites the sky seems to be the limit. The lavishly designed colony for the 5,000 employees of the Sardar Sarovar dam cost Rs 33 crore, which is more than what has been allotted for the permanent settlement of 30,000 people displaced by the dam. The authorities have little idea of what to do with the facilities once the dam is completed. The colony of the Tawa dam in Hoshangabad, now nearly complete, was built for 10,000 people though today only 2,000 occupy it.

With all this irrevocable disruption, are the projects worth it? There are serious doubts about the effectiveness of irrigation projects in high rainfall areas. In the deep clay soils of the middle zone of the Narmada basin—57 per cent of its total area – poor drainage and waterlogging pose such serious cultivation problems during the monsoon that the kharif crop accounts for just a third of the total cultivated area. Both the Barna and Tawa projects have increased the waterlogging menace.

The problems in the Tawa command area were anticipated in the early 1970's before much of the canal system was built. But drainage was ignored and waterlogging spread rapidly. The inept manner in which the Tawa project has been handled generates little confidence in government agencies to manage future projects. The planners appear to have learnt little from the Tawa experience: at Sardar Sarovar, just Rs 4 crore has been allocated to drainage.

Deforestation, soil erosion, siltation, pollution, wildlife destruction, cultural ethnocide—all these are the inevitable cost of the thousands of megawatts of electricity and the millions of hectares of irrigated land that the Narmada project promises. In the long run, environmental chaos is bound to reverse temporary gains. The Department of Environment is yet to clear the project—perhaps fearing that if it does, there might be no environment left for it to oversee. Clearance is being sought for each dam separately. But the combined effect of the entire scheme is likely to be far greater.

THE TRIBAL PEOPLE OF THE NARMADA VALLEY:

DAMNED BY THE WORLD BANK

Marcus Colchester, Survival International (*)

> "We must approach the tribal people with affection and friendliness and come to them as a liberating force. We must let them feel that we come to give and not to take something away from them. That is the kind of psychological integration India needs. If on the other hand, they feel you have come to impose yourselves upon them or that we go to them in order to try to change their methods of living, to take away their land and to encourage businessmen to exploit them, then the fault is ours, for it only means that our approach to the tribal people is wholly wrong......The Government of India is determined to help tribal people grow according to their own genius and tradition"
>
> (Jawaharlal Nehru, 1952)

Introduction

As many as two million tribal people in India are threatened with displacement from their traditional lands by dams. Once hailed by Nehru as "the temples of modern India", these giant hydropower and irrigation schemes have become the altars on which the futures of some 5% of the the country's 40 million tribal people are to be sacrificed in the name of "progress".

The dams, which are designed to bring India into the "modern" world by providing hydropower for urban industries and water for irrigation projects, are integral to the Government's five year plans. Yet the costly schemes, while ardently promoted by politicians and businessmen, scarcely benefit the majority of the country's rural poor, who make up the bulk of the population.

Criticism for these massive damming projects is becoming increasingly widespread in India. Community development organisations and a growing section of the general population have organised themselves into pressure groups active in defence of the mainly inarticulate tribal peoples who find themselves at the mercy of the apparently undemocratic and unaccountable forces of development. Even state institutions have been markedly critical of such projects. For example, the Department of Tribal Development of the Indian Government's Ministry of Home Affairs has stated that:

> "Lands acquired for such public works as industrial, mining, power, irrigation and even some forest projects has led to displacement of a large number of tribal families. Since these families have not been capable of claiming a share in the new activities for want of education, enterprise and skill, they were rendered more or less resourceless and, in some cases, destitute."

Observers of this tragic process who are not compromised by their positions within government have been able to be somewhat more outspoken about it:

> "In a country like India, with a high population density and high level of poverty, virtually every ecological niche is occupied by some occupational or cultural human group for its sustenance. Each time an ecological niche is degraded or its resources appropriated by the more powerful in society, the deprived weaker sections become further

> impoverished. For instance, the steady destruction of our natural forests, pasture lands and coastal water bodies has not only meant an increased economic poverty for millions of tribals, nomads and traditional fisherfolk, but also a slow cultural and social death: a dismal change from rugged self-sufficient human beings to abjectly dependent landless labourers and squalor-stricken urban migrants. Current development can in fact be described as the process by which the rich and more powerful reallocate the nation's natural resources in their favour and modern technology is the tool that subserves this process."
>
> (Agarwal 1982)

The Narmada Valley Project

One of the largest and most complex of these giant development schemes is that taking place in the Narmada Valley, named after the river, one of the most sacred in all India, which flows through the states of Gujarat, Madhya Pradesh and Maharashtra. The total project, which will include 30 major dams (irrigating > 10.000 hectares), 135 medium dams (irrigating 400 - 10,000 has.) and no less than 3,000 minor dams (< 400 has.), will inundate some 350,000 hectares of land including some 11% of the forests of the Narmada Valley. According to the National Institute of Urban Planning some 1 million people, most of them tribal, will have to be relocated to make way for these dams.

The whole project, first envisaged in the late forties but only revived in the mid-sixties, is due for completion in 1995. When "on stream" the project will supposedly generate some 3830 megawatts of electricity for use in India's burgeoning industries. The project is also planned to provide irrigation for 496,000 hectares of agricultural land. The World Bank claims that 11 million people will benefit from the project, which will cost over **six billion** dollars at 1983 prices (World Bank 1984, n.d.).

Sardar Sarovar

One of the most advanced of the dams in this ambitious project is the Sardar Sarovar scheme, a World Bank funded venture, that is already tellingly revealing the very serious problems to which the tribespeople are to be subjected to make way for this "development".

The dam itself will be 155 metres high and will impound a reservoir 210 kilometres long, submerging approximately 370 square kilometres. It will have an installed capacity of 1450 megawatts and will provide 40,000 cusecs of irrigation water to 12 of the 19 districts of Gujarat and even parts of Rajasthan, served by a main canal over 440 kms long. The World Bank is funding this project to the tune of US$ 300 million: US$ 200 million as an IBRD loan (with normal Bank interest rates) and a further US$ 100 million as an IDA credit (with the IDA's usual "soft" terms).

Some 236 communities in three different states will have to be relocated to make way for the Sardar Sarovar scheme. A total of more than 67,340 people. Of these as many as 59,572 are tribal people, though for various reasons these figures are probably underestimates (World Bank 1984).

Tribal peoples at risk

The tribal people, whose futures are set in jeopardy by the Sardar Sarovar Project, belong in the majority to the groups referred to as Tadavis, Vasavas, Dungari Bhils, Rathwas, Naikas and Goval. Of these the Tadavis predominate, constituting some 65% of the population to be affected. The Dungari Bhils are the second largest group, making up about 25%.

The groups vary considerably in the extent of their insertion into the national economy. Some groups are virtually landless and have migrated into the area relatively recently. They survive as a migrant labour force. The majority, however, have been in the area as long as historical records relate. Some communities, especially those in Madhya Pradesh, practise an efficient agricultural system on their rain fed fields, which is notable for being more productive than that of their non-tribal neighbours. The more isolated Bhils remain essentially marginal to the market economy. They are held in low esteem locally. According to one of the government officials directing the rehabilitation programme associated with the project: "they are in a 'jungle state': we are bringing them into civilisation" (Kothari et al 1984).

The great majority of these tribal people are, according to the laws prevalent in India, "landless". Many of the tribal people work lands that are in fact titled to an elder relative. Large parts of the tribal territories have been arrogated to the State through their designation as "Forest Reserves". Other tribal areas have been designated as (state-owned) "waste lands" and "traverse (Kharaba) land". In spite of the fact that these people may be practising agriculture on what they consider their traditional territories, the State regards them as "landless": their cultivations on state lands are "illegal encroachments".

The tribal people's use of their traditional lands extends far beyond the small plots that they cultivate. Some 32% of their area remains under forest cover, despite the depredations made by local contractors to supply the woodfuel and timber needs of the growing urban centres and the voracious demands for pulp. The forests supply the tribal people with essential supplements to their economies. Fodder for their draft animals, fuelwood for their cooking, materials for building their houses and minor forest produce for sale in the regional markets.

The effects of resettlement

In a detailed assessment of the likely impact of the Sardar Sarovar project, a World Bank official has noted that it is generally true that such projects are carried out against the will of the majority of those to be relocated. These people are, according to the same official, generally "relatively isolated, illiterate, low income and powerless rural people with strong ties to their land and to community groupings larger than the family" (Kothari et al 1984). Relocation for these people can, according to the World Bank, "be expected to cause multi-dimensional stress" (World Bank 1984).

The stress associated with relocation is analysed in the Bank's study in terms of three categories. "Psychological" stress includes the "grieving-for-a-lost-home syndrome", "anxiety for the future" and "feelings of impotence associated with one's inability to protect one's home and community from disruption". These stresses may become so great as to cause problems under the second category of stress, "physiological", discernible as an actual increase in health disorders. While such stress problems may be reversible, the stress factors that come under the rubric "socio-cultural stress" may not be. The "cessation of a range of familiar and satisfying economic, social and religious activities which are tied to the oustees old home" are related to an overall breakdown in society, particularly political structures. The leaders of the "oustee" communities find themeselves in a "no-win situation", since they lose legitimacy if they approve the removal of their people against the will of the majority, and if they oppose the removal, because ultimately they are proved powerless.

Of course, such an analysis tells only a small part of the story. The removal of tribal peoples from their ancestral lands to make way for development is generally fatal for the entire way of life of the tribal communities. Traditional marriage systems that link together neighbouring communities are critically disrupted by relocation and are rarely reconstituted. The close ties between the society and the traditional forest environment are broken. Subtle patterns of resource use, developed over centuries, are shattered. Social and religious ceremonies linking the tribal people to their environment and to specific burial grounds and sacred sites become meaningless. The very ground of their being is cut from them.

Moreover, as the World Bank recognises, "rehabilitation" following removal is unlikely to benefit the tribal people even financially. According to the World Bank "the odds are high that the majority of (Sardar Sarovar's) .... oustees will be worse off following removal" (Kothari et al 1984). "The current policies... will not only lower living standards among large numbers of oustees but accelerate the process of environmental degradation" (World Bank 1984).

Problems with compulsory relocation

The World Bank's sanguine appraisal of the prospects for the "oustees" is based on a detailed evaluation of previous resettlement programmes carried out in India. Seven factors have been isolated by this study as largely responsible for this sorry record:

1. the absence of a national policy regarding resettlement

2. certain provisions of the 1894 Land Acquisitions Act

3. the emphasis on cash compensation

4. the tendency to relocate oustees as individual households rather than as communities

5. the failure of the government to make use of social science expertise relating to compulsory relocation

6. the execution of the relocation by the Irrigation and Revenue Departments, which are neither qualfied nor motivated to carry out the task

7. the almost total absence of a system for monitoring and evaluating the relocation programme

Tensions are generated among the oustees because cash compensation is only paid to "legal" land-owners, giving rise to rivalries and jealousies. Community ties are further broken by the piecemeal pattern of relocation. Many of the tribal people declared "landless" receive no compensation at all. Those who do, unused to treating land as a saleable commodity and inexperienced in the use of cash anyway, fall easy prey to the unscrupulous. Besides, the prices paid for land are frequently nugatory and inadequate for the tribal people to acquire equivalent lands on the market. Land speculation and rising land prices in the relocation areas exaggerate the problem. Other members of the local communities who made a living as artisans etc, deprived of the communities they depended on, become destitute. Even where the tribal people do manage to resettle on pieces of land, they are deprived of contact with their traditional environment. Forest produce, once integral to their way of life, becomes unobtainable. Finally, the increased pressure on resources as the landless oustees seek to make a living by clearing cultivations on watersheds and in other marginal areas accelerates the process of enviromental degradation.

World Bank recommendations

The World Bank's internal document, referred to here, also makes specific recommendations for overcoming these problems. A national policy regarding resettlement programmes should be carefully worked out. Measures should be taken to ensure that all oustees are given land in compensation, not just those who have managed to obtain legal title. Resettlement should take into consideration the preferences of the peoples themselves to be relocated as communities. Cash compensation should only be offered to oustees who reject compensation with land. Resettlement should become the responsibility of a specially created government agency which should solicit the advice of local representatives and community development groups active on the tribal people's behalf. Careful plans should be laid not just for relocating the oustees but for promoting their economic development after relocation and the programme should be continuously monitored to allow for modifications in the procedures.

Since the drafting of these recommendations considerable pressure has been exerted on senior Bank officials, both from within the Bank and from international development and human rights organisations, including Survival International, to comply with these recommendations and to ensure that the resettlement programme provides a reasonable future to the displaced tribal people. After drawn out negotiations with the Indian authorities, the Bank finally announced that it had incorporated a comprehensive programme for the displaced tribal people into the loan agreements signed in May 1985 with the Governments of India and the three participating States of Gujarat, Madhya Pradesh and Maharashtra. The Bank refused, however, to release copies of the loan agreement.

Having obtained a copy of the document by independent means, Survival International has been able to determine that the loan agreement not only does not incorporate all the recommendations made by the Bank's consultants, but does not even satisfy the Bank's own guidelines for the development of tribal areas (World Bank 1982). Moreover, the agreement as it stands is a clear breach of international law. Far from recognising the rights of tribal peoples to the collective ownership of their traditional lands, the agreement considers "landless" all tribal people (about 74%) who lack individual land titles. There are no measures for ensuring that compensation is paid to the tribal people for the loss of the uncultivated portions of their land. Inadequate provisions exist for resettling the tribal people in forest areas similar to those that they have been forced to leave. As things stand only 1% of the project's costs have been allocated to the relocation, less than has been spent housing the few hundred project staff !

Violation of International Law

Survival International has repeatedly drawn the Bank's attention to the terms of the International Labour Organisation's Convention 107, relating to Tribal and Indigenous Populations, which has been signed by India. The organisation has in particular singled out three articles of the convention, which the Bank is clearly violating:

> **Article 6.**
> The improvement of the conditions of life and work and level of eduction of the populations concerned shall be given **high priority** in plans for the over-all economic development of areas inhabited by these populations. Special projects for the economic development of the areas in question shall also be designed as to promote such improvement. (Emphasis added).

Article 11.
The right of ownership, collective or individual, of the members of the populations concerned over the lands which these populations **traditionally** occupy shall be recognised. (Emphasis added).

Article 12.
2. When in such cases removal of these populations is necessary as an exceptional measure, they shall be provided with lands of quality at least equal to that of the lands previously **occupied** by them, suitable for their present needs and future development. (Emphasis added).

Survival International has also focused attention on the Bank's own guidelines for the development of tribal areas, published in 1982 after the Bank had come under severe criticism for its support for development programmes on tribal lands in Brazilian Amazonia and the Philippines:

> "...the Bank will assist projects within areas used or occupied by tribal people only if it is satisfied that best efforts have been made to obtain the voluntary, full, and conscionable agreement of the tribal people... and that the project design and implementation strategy are appropriate to meet the special needs and wishes of such peoples."
>
> "Similarily, the Bank will not support projects on tribal lands, or that will affect tribal lands, unless the tribal society is in agreement with the objectives of the project, as they affect the tribe, and unless it is assured that the borrower has the capability of implementing effective measures to safeguard tribal populations and their lands against any harmful side effects resulting from the project"
>
> "Certain basic needs must be acknowledged and accomodated if tribal groups are to benefit from -- rather than be harmed by -- development projects....: (a) recognition of territorial rights, (b) protection from introduced diseases (c) time to adapt to the national society and (d) self-determination."
>
> "Such a policy of self-determination emphasizes the choice of tribal groups to their own way of life and seeks, therefore, to minimize the imposition of different social or economic systems until such a time as the tribal society is sufficiently robust and resilient to tolerate the effects of change...The following conditions are essential....:
>
> a. National governments and international organizations must support rights to land used or occupied by tribal people, to their ethnic identity, and to cultural autonomy.
>
> b. The tribe must be provided with interim safeguards that enable it to deal with unwelcome outside influences on its own land until the tribe adapts sufficiently.
>
> c. Neither the nation nor the nontribal neighbors should compete with the tribal society on its own lands for its resources."
>
> (World Bank 1982)

Land ownership in the Sardar Sarovar Area

The agreement signed between the World Bank and the Governments of India, Gujarat, Madhya Pradesh and Maharashtra regarding the "Resettlmemt and Rehabilitation" (R&R) programme for resettling tribal people in the Sardar Sarovar Dam and Power Project, makes a clear distinction between "landed" tribal people, who will receive compensation for the loss of certain of their cultivated plots and "landless" tribal people who are only offered the rather vague assurance that they will be "rehabilitated in the agricultural and nonagricultural sectors, as the case may be, and shall be entitled to stable means of livelihood..".

Any evaluation of the likely effects of such an R&R programme must, therefore, take as it's starting point the actual pattern of land ownership in the area in question, as the criterion of "owning" land is made critical in determining the likely fate of each individual tribal person.

The pattern of cultivation in the village of Vadgam, one of the villages already in the process of being dispossessed by the dam's construction programme, is typical. Legally, there are only 124 land holdings, totalling 629 acres in Vadgam, though there 464 families dependent on these holdings. 17 farmers have no rights at all to private land. Since these holdings are inadequate for the tribal people's subsistence, they also cultivate 453 acres of Kharaba (traverse) land and 452 acres of Forest land. The tribal people have not been able to acquire legal title to these cultivations, which are treated as "illegal encroachments" on State land. Many of the tribal people have paid penalties to the various authorities for their "illegal" use of this land.

Taking the 19 villages in Gujarat to be affected by the Sardar Sarovar Project together, it can be noted that of the 2394 families inhabiting these villages only 1973 have access to private land, these latter having to share only 633 actual holdings. In some villages more than 80% of the families have no legal rights to private lands. Depending on how the criteria of the R&R agreement are applied to the displaced tribal people in Gujarat, it seems that as few as 26% of the families (633/2394) will be treated as "landed" and thus liable to compensation in land.

Implementation of Agreement

Aside from the fact that the R&R agreement is in any case inadequate, being liable to result in serious problems for the displaced tribal people and not conforming with international law, there is the open question of whether the local authorities will satisfactorily uphold the agreement anyway.

Attention has focused on the 19 villages in Gujarat which are already being affected by the scheme. Social workers in the region alerted the tribal people to the serious shortcomings of the Gujarat government's policy regarding resettlement. When the tribal people discovered that the government had no intention of compensating those without title for the loss of their cultivations, let alone other lands, they came out in open protest against the scheme.

Although the Gujarat authorities, in response to this public pressure, have made public statements promising to fairly compensate all the tribal people for the loss of their lands, yet they have consistently refused to set this promise down in writing. As the actual process of building rock-filled retaining dykes across their lands commenced, the tribal people took their case to the Supreme Court of India, where it has become clear from one after another affidavit being filed by the Government of Gujarat that it regards the "wasteland" and "forest reserve" cultivations of the tribal people as nothing more than illegal encroachments on state land, for the loss of which the tribal people deserve no compensation.

Moreover, in response to claims for the release of State owned "Forest Reserves" for the rehabilitation of the tribal oustees, the Government has argued that: "Resettling the tribal people on government land would involve using forest areas. This would have caused an ecological imbalance and led to the destruction of valuable resources" (Skaria 1985). The supreme irony of the fact that the government is at the same time engaged in a massive project that will flood 11% of all the forests of the Narmada Valley has apparently escaped the government's comprehension.

As the court case in the Supreme Court of India has made clear, the Gujarat authorities have seriously abused their powers in forcibly dispossessing tribal people of their lands. Even tribal people who have land titles have found the top soil from their fields being trundled away in trucks leaving them destitute.

The latest news from the region is that the Government of Gujarat has been trying to repudiate the legal agreement with the World Bank regarding the rehabilitation programme. Whether it succeeds in this or not it is clear that there exists little political will in Gujarat to offer a fair deal to the tribal people. Their future thus seems grim.

The Prospects

The Sardar Sarovar is but the most advanced of a whole series of dams planned for the Narmada Valley. As things stand it seems clear that a vast number of tribal people stand to be dispossessed by the scheme, their traditional lands flooded, their livelihoods destroyed. Considering the appalling record of previous resettlement programmes in India and the extreme reluctance of the Indian state governments to comply with even the inadequate safeguards that the World Bank has tried to impose for the Sardar Sarovar scheme, it is quite clear that thousands of tribal people are to be condemned to increasing poverty.

By the time this article is published, the fate of the sixty thousand tribal people to be dispossessed by the Sardar Sarovar scheme will have been sealed. Latest reports indicate that the Bank is due to effect a final transfer of its US$ 300 million on November 9 1985. Rushing to meet deadlines that are set by financial and economic considerations rather than by the social needs of those most directly affected by the project, it seems inevitable at this late juncture that the Bank will go ahead with its loans despite the clear evidence that the project is morally, legally, environmentally and maybe even economically suspect.

Perhaps the most alarming aspect of the Sardar Sarovar scheme is the fact that the resettlement programme associated with it may, despite its very serious shortcomings, be the best rather than worst to be associated with the Narmada Valley project as a whole. Further up the valley, in Madhya Pradesh, a second major dam, Narmada Sagar, promises to cause even greater dislocation of the tribal peoples' lives.

As the World Bank notes, "if the Narmada Sagar, Sardar Sarovar, Omkareshwar and Maheshwar projects are all completed, the State of Madhya Pradesh will be responsible for the largest river-basin population resettlement in the world to date. Approximately 80,500 people will be resettled by the Narmada Sagar reservoir..." (Partridge 1984). Recognising the enormous scale of this programme the same report attempts to grapple with the fate of the displaced people "whose homes and livelihoods have been destroyed and those (approx. 40,000) hosts whose economic and social systems will be stretched to the breaking point by the influx of the homeless" (Idem.).

The real dilemma faced by the planners is the lack of land available for resettling the thousands of people to be relocated. The same report notes:

> "In the past, planners, administrators, and politicians frequently assumed (accurately or not) that displaced populations could be compensated for the loss of valuable agricultural lands with replacement lands of equal value elsewhere. Whether through purchase of private land tracts, nationalization of large land holdings, or through simply opening up putatively uninhabited forest and savanah lands to colonization, the guiding strategy has been moving the entire displaced population to equivalent replacement land. Throwing all oustees onto the open market to purchase replacement lands in already settled areas with compensation monies has proven to be such a disastrous policy that it should be rejected at the outset. However, in many countries today land anywhere near comparable in value is less and less available for colonization. Planning thus far for the Narmada Sagar Project resettlement is based on **the realistic and innovative assumption that many oustees will not be able to acquire equivalent land to replace that flooded.**" (Emphasis added).

Chillingly, the same report concludes:

> "The NPA (Narmada Planning Authority) at this point lacks the organizational strength and professional personnel to carry out a resettlement and rehabilitation project of great magnitude..."

What is at stake in the Narmada Valley Project is not just the physical survival of the 1 million people who will be displaced by the overall scheme but their survival as viable societies. Yet the World Bank is so little concerned for the social life of the people to be affected by the project that it takes as its starting point the fact that a whole "way of life will be destroyed by displacement" (Partridge op. cit. Appendix 2, p.1).

It is time the taxpayers in the first world, who provide the bulk of the World Bank's funding, started asking themselves if they are happy about their complicity in these ethnocidal schemes. If not it is time they began to protest. For while they remain silent, the ways of life of tribal people all over the world are being sacrificed on the altars of "economic pragmatism".

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* **Survival International** is human rights organisation that defends the rights of threatened tribal peoples to survival, self-determination and the use and ownership of their traditional lands. **Survival International, 29, Craven Street, London, WC2N 5NT. Tel: 01-839-3267.**

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104 medico friend circle bulletin

AUGUST 1984

NARMADA PROJECT AND THE TRIBALS*

— don't let them drown in despair

Preamble

We are three voluntary groups, working since 1980 amongst the tribals who have been ousted from their traditional homelands by the Sardar Sarovar Project on the Narmada river undertaken by the the Government of Gujarat. Our experience regarding the problems of these tribal rehabilitees has raised many questions and issues in our minds which we would like to share with you.

When ambitious developmental projects like the Narmada Project are undertaken, a large number of families are asked to leave their lands, houses, familiar surroundings and settle elsewhere. This is justified on the basis of 'public purpose' which is essentially that much larger benefits accrue to much larger populations who would otherwise live at a low standard of living. This, of course, must imply that those who give up everything so that the project can become a reality, must also not suffer a drop in their standard of living. In fact it is necessary that they too improve their lot commensurate with similar improvements in the standard of living of the beneficiaries of the project. Our concern is focussed on the social and economic suffering that these oustees are going to face if the governments rehabilitation policy on paper does not match with the actual programme in the field. We have reason to believe that certain ambiguities in policy and trends in implementation seen in that area are going to seriously affect the health, life and future of these people.

Background

About 220 villages in the three States of Gujarat, Maharashtra and Madhya Pradesh are going to be affected by the inundation of large tracts in this area. Among them we have worked with the illiterate tribals of 19 villages in Gujarat and most of the facts and issues discussed derive out of this experience. The main occupation of tribals in this area is agriculture. The income from agriculture is supplemented through collection of forest produce, hunting and other forms of labour.

Due to cultural reasons and administrative hurdles at local levels, the overwhelming majority of tribals have had joint holdings for generations together. Thus a seemingly large land holding (more than 5 acres) in the name of one person, in reality may mean that two or more families are actually earning their livelihood from it.

There are a few landless labourers. Even these earn their livelihood by cultivating government owned, fallow forest land or other waste land. It is not possible to estimate the amount of land brought under such cultivation since this is treated as unauthorised cultivation. Whatever the technicality of such a situation, it is an established fact that they have been living and cultivating such lands for many years and they are entitled to compensation for the loss of this only source of living.

Water Dispute Tribunal

A tribunal was set up to study the problems arising out of the project implementation. Its award took into account the factors of total dependence on land of these tribals as well as the responsibility of the rehabilitation programme in removing the poverty of the 'oustees'. It, therefore, provided land for land compensation (ie., if more than 25 percent of land owned by any family was acquired for the project they were to be given an equal amount of irrigable land). It also made a specific provision of a minimum

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* An appeal from Chatra Yuva Sangharsh Samiti, Rajpipla, Rajpipla Social Service Society, & Action Research in Community Health, Mangrol. February 1984.

of 5 acres of irrigable land to all those whose land holding was less than 5 acres of land. It also stated that first preference would be given for rehabilitation within the command area of the project. However, if the 'oustees' did not want to settle there, they were to be settled in their respective states on a similar basis. In addition, it was decided that the agricultural lands were not to be provided free of cost, but the occupancy price should be recovered from them in 20 yearly interest free instalments; the first instalment being half the compensation received by the 'oustees'. The tribunal has also made the proviso that if an individual is losing atleast 75 percent of his land he should have the option of surrendering the rest of his land as well. This award on the face of it seemed a relatively fair policy and it was hoped that with proper implementation it would tackle all the grievances of the tribals.

Some ambiguities

1. The Narmada Tribunal being an inter-state water dispute tribunal took into account the rehabilitation of oustees from Madhya Pradesh and Maharashtra. No reference was made to those from Gujarat! Clearly what applies to Maharashtra and Madhya Pradesh should apply to oustees of Gujarat as well; but the government of Gujarat has not earmarked any land in the command area of the project for this rehabilitation. Even though these tribals will be the first to be affected, they are expected to buy their own land and only after they do so other basic amenities like wells, schools and roads are to be provided.

2. There is a government resolution (G.R.) of June 1979 of the Irrigation Department of the Government of Gujarat which states that a minimum of 5 acres of land should be provided for each oustee family for their rehabilitation. There is, of course, no provision to provide irrigable land in the command area of the project in this resolution.

3. In the cost estimates in the project report prepared in 1980, the Government has made no provision for the cost of acquiring the total of 40000 acres of land that it would have to acquire to rehabilitate all the oustees. It has instead provided for only 1310 acres of land which is clearly meant for roads and house sites only. In fact the agricultural land to be acquired should be clearly more than the actual amount submerged, specially because a significant proportion of oustees who own less than 5 acres of land are to be provided at least 5 acres as per the directive of the tribunal. The argument that the land is not to be given free of cost, and hence the cost of acquisition need not be mentioned is not tenable, since clearly some initial investment will have to be made by the government.

4. The usual analysis of land records do not show the reality of land holdings in a tribal region where joint holdings are significant. We reanalysed the land holdings not by the units as they are officially recorded but by the number of families who are actually dependent on the land. We found that there were 624 land holdings in the 18 villages surveyed, whereas the number of families actually dependent on them are 2109, since most are joint holdings. Also if holding is taken as the unit only 41.8% of the total holdings are less than 5 acres whereas if family is taken as the unit we found 94% of the families with a holding less than 5 acres!

> **Damming the tribals**
>
> 'The construction of dams has effectively resulted in a direct assault on the country's tribal population. Dams are usually constructed in remote, forest areas where most of the tribal groups also live. The sudden influx of the modern system, destruction of the surrounding nature on which their lives are dependent, and ultimately displacement and resettlement, leaves a tradition-bound tribal family totally bewildered, powerless and on the verge of total social, cultural and economic collapse.'
>
> — State of Environment Report, 1982, CSE.

Project implementation and its problems

Some problems have arisen due to the half hearted implementation of a watered down and modified government resolution. These are:

i. The 'oustees' have been shown lands which are so poor in quality and so far away from their traditional homeland (about 150 kms away) that their economic situation insecure as it was, would worsen further and their whole social and cultural life disrupted. Naturally they rejected such outrageous propositions.

ii. When the oustees refused the land the government asked them to purchase land from private land owners from their compensation money. The consequences of this were: (a) the oustees with less than 5 acres of land could not buy 5 acres of land which they were entitled to; (b) some could not even buy the land equal to what they had been originally cultivating; (c) the amenities that they were entitled to could not be had as per the law because of the wide scattering.

iii. It has not been possible for the illiterate tribals to deal on an equal footing with the high caste land owners in these land deals thrust upon them by the governments inaction. They have been cheated and exploited. In the beginning the Additional Collector gave active help and the deals were made relatively easily. However, even now these deals are not yet completely registered and the ownership of lands still rests with the original land owners. The whole matter depends on the goodwill of the concerned government official and in our experience there has been a general aloofness and reluctance on their part to get too involved.

iv) The Government of Gujarat has been pleading from the very beginning, that it is virtually impossible to give agricultural land to the oustees as no surplus land is available. Forest lands cannot be given, as only a few forests are left and other waste lands are scarce. However the government could instead purchase or acquire private lands in large tracts so that proper rehabilitation can be carried out, and rehabilitation of the oustees itself could be proclaimed to be a 'public purpose' in this respect.

v) In some villages the situation has arisen where 80% of the village land has been acquired. The land acquisition authority is refusing to acquire the remaining 20% of the land. This land is owned by 20-30 families; of these families, 4-5 of them happen to retain practically all their lands. If these lands are not to be acquired the isolation of these families will be near total. They will be cut off physically, socially and culturally. They will be deprived of other amenities like school, shops and health services. The land acquisition authority is taking a very rigid view of the land acquisition procedure which states that only land under submergence can be acquired.

vi) All the tribals in the affected villages of Gujarat have so far voluntarily surrendered their lands, and other villages are ready to follow suit. There is, however, still widespread uncertainty about the amount of compensation they would be paid. Since all the villages are losing their land under the same project, it is only fair that they should get a uniform and generous compensation. The State Government has not yet made up its mind and is vascillating on the issue. The traditional way of computing the amount of compensation by taking current market values for the land is clearly not applicable to tribal land since for many years no sale deeds have been concluded in this area. In its cost estimates the government has put an estimate of average cost of land acquisition at a rate of Rs. 2000 per acre. This is totally unsatisfactory. This computed average compensaton is so low that most of the villagers will be deprived of their land in exchange for a paltry sum, insufficient to buy adequate alternative land to survive. The consequence of such myopic action of the government can only be that the 'oustees' will become poorer.

To summarise the situation as it exists today — the government has abandoned its primary responsibility of providing land for land as directed by the tribunal. It has offered a totally inadequate sum of compensation; it has shown no aptitude or willingness to keep down the prices of the surrounding private lands which may have to be acquired by the outstees; it has used 'holding' as the unit and not 'family', in its computation, thus hiding a concrete reality of the tribal regions; and its grave lack of responsibility has resulted in the ousted tribals becoming a prey to high caste land owners and their brokers. In brief, with a policy implementation that is insensitive to the human problem of these tribals it has made the tribunals recommendation of the objective of 'abolition of poverty of the oustees' a myth.

The 'Cost' Facade

Among others, the main claim for this inadequate implementation of the tribunals recommendation has been the cost factor. The government has claimed that land acquisition of the type recommended will push up the cost of the project. The following facts about the governments lop-sided sense of proportions in cost provisions for certain other aspects of the project is not only disturbing but also show how hollow the claim is in the first place.

The project report shows that the cost estimate of the whole rehabilitation programme including compensation for lands, houses etc., in all the 220 villages in the three States is Rs. 19.83 crores, while the cost estimates of the construction of the staff buildings at Kevadia Project Colony alone will be Rs. 23.45 crores. Add to this cost the miscellaneous and establishment costs of the same magnitude and we begin to sense how distorted is the government's sense of proportion. The scales which the government holds in its hand give more than twice the weightage to the temporary needs of providing houses only to a few hundred families of the project in one colony alone. In comparison to this, the entire rehabilitation cost of 10 to 12 thousand families scattered over 220 villages of the three States, which can make or mar their entire lives, gets less than half the weightage. What is more surprising is that the staff quarters, the water lines, the electricity lines, guest homes, the roads in the Kevadia Colony have already been built while the staff are yet to arrive. In contrast the notices to acquire lands from the people to be ousted

(Continued on page 6)

has already been served but the vital issue of compensation for imminent land loss is still unresolved.

Suggested Changes in Policy

Having worked with the tribals in the 19 villages of Gujarat since 1980, we as a group have just begun to understand the problems from the perspectives of the tribals. We suggest the following charges in the policy of rehabilitation to make it sensitive and relevant to the socio-economic, cultural, psychological and ecological needs of these oustees who are as much the 'public' as any other.

> ### The poverty of "development"
>
> 'In a country like India, with a high population density and high level of poverty, virtually every ecological niche is occupied by some occupational or cultural human group for its sustenance. Each time an ecological niche is degraded or its resources appropriated by the more powerful in society, the deprived, weaker sections become further impoverished. For instance, the steady destruction of our natural forests, pasture lands and coastal water bodies has not only meant increased economic poverty for millions of tribals, nomads and traditional fisherfolk, but also a slow cultural and social death: a dismal change from rugged self-sufficient human beings to abjectly dependent landless labourers and squalor-stricken urban migrants. Current development can in fact be described as the process by which the rich and more powerful reallocate the nation's natural resources in their favour and modern technology is the tool that subserves this process.'
>
> — *The State of India's Environment*, 1982, *CSE*

i. The ambiguities in the rehabilitation proposals must be clarified immediately
   - — the rehabilitation of deplaced people in all three States is of equal importance;
   - — the land for land compensation with the minimum provision of 5 acres should be implemented efficiently;
   - — the land offered should be irrigable, agricultural and as far as possible within the command area of the project and preferably in their respective States.

ii The government should either buy or acquire private lands in large tracts if it does not have any surplus within its own possession. Under no circumstances should the oustees be asked to purchase their own lands.

iii The government should take a family as a unit (and not 'holding') and provide minimum of 5 acres of irrigable land to each oustee family irrespective of the fact whether they legally own their land or not. If necessary, the government can conduct a detailed survey in the villages to find out the amount of forest land and or other waste lands they are actually cultivating and provide them with alternate land in appropriate amounts.

iv. Not only must individuals (whose land acquired is more than 75%) be given the option of surrendering the rest but this rule must be extended to the villages as a whole as well if they are going to loose atleast 75% of their total agricultural land.

v. The compensation ' for land acquired must be adequate and sufficient to buy new land of atleast equivalent size keeping the basic objective of rehabilitation i.e., *abolition of poverty of the oustees in* mind.

The forest issue

Following our recent contacts in the interior villages of Gujarat and Maharashtra, we have come to understand another important dimension of this problem. The tribals, especially Dungari Bhils who, have lived in these forests for centuries cannot imagine how they will survive outside the forests. The forest is so much a part of their life. Even outsiders like us who are quite sympathetic cannot fully appreciate or understand their attachment to the forests, let alone the aloof and faceless bureaucracy of the Narmada Project.

For these tribals, the forests are not only the fountain of their material needs, but also an integral part of their social, cultural and religious life. You have to be with them to understand what forests mean to them. No wonder that the inhabitants of these villages are refusing to move outside the forest area. Even those oustees who agree to resettle on non-forest lands, would opt for forest land, if the option is offered to them.

Why is the Government so adamantly refusing to release forest land for resettlement? The re-evaluation of the government's blanket policy with regard to forest land is urgently called for. The Government's argument is based on the laudable objective of 'conservation of forests" The plausibility of this argument is only superficial. It is clear now that the Government itself is destroying large tracts of forest in the name of 'development'. It also sanctions felling of the forest in the name of 'satisfaction of market needs'. Only when it comes to giving forest lands to tribals, the Government raises the bogey of 'Conservation of forests'. Hidden in this argument is the unfounded charge against the tribals that they are the culprits behind the massive deforestation. The facts if examined closely would reveal exactly the opposite story. The tribals have in fact protected the forests and their needs of forest wood is so small in comparison to the unsatiable hunger of the urban centres for timber that it is sheer perversion to say that they are destroying the forests.

We therefore make a demand that these tribals must be resettled only in Forest land, so that they

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— lack of fuel for generators, drivers and spares for the vans.

Source: The Hindu, 9th July 1984

(The National Health policy statement 1982 mentions the need for a "thorough overhaul of the existing approaches to the education and training of medical and health personnel". If this is symbolic of the effort then does Health for all by 2000 AD' represent an achievable goal — Ed).

(Continued from page 6)

can preserve their forest bound culture and way of life. In raising this demand we are not at all pitting ourselves against the 'conservation of forest' objective.

If forests are in danger, the tribals living in forests are not basically responsible for it. The objective of 'conservation of forests' and that of resettling the tribals in forests are not incompatible. Indeed they could with imagination become complementary objectives. We, however, challenge these so-called developmental schemes which are destroying both the forests and the defenceless tribals.

Conclusion

Through this report we have tried to bring to your notice the plight of these oustees of the Narmada project and the ambiguities and insensitivity of the government rehabilitation policy. Our attempts to bring about appropriate changes in the policy have made very little progress. We need your help to tackle this problem. We must act and act decisively if we do not want to let the tribals drown in despair!

Further reading

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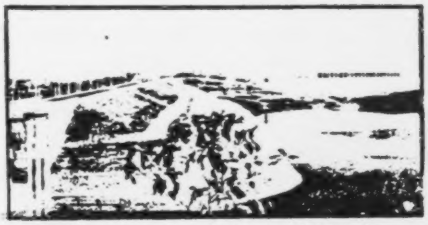
POOR DON'T BENEFIT

DAMS IN INDIA

Irrigation and electricity are two common priorities for developing countries. But if the price is massive losses of homes and livelihoods, this is too high a cost. This, unfortunately, is exactly the price being paid today in the Indian state of Gujarat.

A series of large dams are being built in the east of the state, backed, notably, by the World Bank.



The Ukai Dam, already in use in Gujarat

The dams, which may be important economically, lead to the flooding of huge areas, and tens, if not hundreds, of people are losing their homes and farms. The compensation offered is nowhere near enough to allow the "oustees" to begin again.

LATEST

The newest of these projects - the Narmarda Dam - is at present being considered by the World Bank, which has helped so far with design and 'feasibility studies'.

A voluntary legal aid, medical and general development group which Oxfam funds in Rajpipla, Gujarat, has recently written to the World Bank, urging it to push for decent rehabilitation of the 10,000 farming families who are about to lose their homes as a result of the dam. The group is not raising questions about the actual dam - in spite of their doubts about such large-scale irrigation projects - they are simply arguing that the provisions for rehabilitation of the "oustees" is scandalously inadequate.

DUBIOUS COMPENSATION

220 villages over 3 states will be flooded, and although the Gujarat State Government insists that oustees in the neighbouring states of Madya Pradesh and Maharashtra will receive acre-for-acre compensation of good land - and indeed a minimum of 5 acres per family - no such promise has been made to the Gujarat oustees. Moreover, such a rehabilitation scheme would require about 40,000 acres, yet the project's schedule only shows plans for acquiring 1,000 acres.

This, together with past experience, leads observers to predict that the oustees will be fobbed off with at most a token 2,000 rupees per acre compensation, which would not buy them the replacement land - although it would certainly please the powerful, land merchants of the area. In some cases compensation in land has already been offered, but the land is almost 100 miles away and of such poor quality that the oustees have turned it down, recognising that they would be better off with the cash.

A MERE 1% NEEDED

The entire budgetted cost for rehabilitation of the 10,000 families is 198 million rupees, compared with 234 million rupees to build a residential colony for the few hundred project staff. And the Rajpipla group have estimated that a fair and full rehabilitation programme would cost less than 1% of the total cost of building the dam. They are urging the World Bank to ensure that this minor but vital element is added to the schedule of costs.

Oxfam 2000 supporters have been asked to help their effort by writing to: Mr C.L. Robless, Division Chief for India, World Bank, Washington DC 20433, USA. - saying that the people who lose their land as a result of the Narmarda Dam in Gujarat (the Sardar Sarovar project) should receive decent full compensation with minimum disruption; that schools, clinics, roads. etc. should be provided. Finally, when planning aid projects in the future, emphasis should always be put on the human and environmental factors.

E ROSITY

those countries sold to Britain, plus £1.037 million from earnings on investments in the Third World. - Food for thought?

(* *1981 - Latest available figures, published by HMSO: "United Kingdom Balance of Payments" £9.95).*

CAMPAIGN FOR REAL AID

......brief update

Some encouraging signals on official aid policy were contained in a recent UK Memorandum to the Development Assistance Committee of the OECD covering a number of "Real Aid" points.

● *For details of the key points of this report and suggestions for related action, please write to Oxfam 2000.*

* * *

A good account of British official aid and the "Real Aid" arguments are given in the recent Thrid World First magazine "Links" No.20 "Help Yourself: The Politics of Aid". This is available from Third World First, 232 Cowley Road, Oxford OX4 1UH, and costs £1.20.

* * *

An all-Party Development Group has been set up recently in the House of Commons.

◉ *Write to your MP and ask if s/he is going to join this. The fisrt two subjects they are taking up for study are UK pharmaceutical trade with the Third World and UK Agricultural Aid to Africa. Both are very important issues and we would like all our MPs to take a serious interest in them.*

* * *

STOP PRESS..... DEBT CRISIS EDM.....

An all-party group of MPs are about to table an Early Day Motion in Parliament on the World Debt Crisis. The motion will call on the Government to give urgent attention to the impact of this crisis on poor people.

If you are writing to your MP please ask whether s/he will sign this Motion.

LETTERS PAGE

We had hoped to include the regular letters page as well as a report from a reader on the Campaign Against the Arms Trade National Meeting, in this ISSUE. Unfortunately lack of space makes this impossible! We promise to include these features in ISSUE No.11 early in 1985.

November 1984

NARMADA DAM PROJECT

3,000 people in India took part in a demonstration earlier this year to draw attention to the rehabilitation needs of those who will lose their land as a result of the project.

– – –

The value of letter writing to the World Bank on the rehabilitation needs of this giant dam building project which they are funding, continues. As reported in ISSUE No.9 the World Bank has come a long way towards meeting points made to them by Oxfam 2000 subscribers.

The Bank recently stressed in the clearest terms yet that rehabilitation will now be an integral part of the project. But they have corrected a mistaken impression conveyed in ISSUE No.9. The World Bank now stress that they will not necessarily finance the rehabilitation costs themselves. The important thing is, however, that they ensure the funds are allocated!

It is important to maintain letter-writing until the agreements are signed to ensure that the World Bank does not revert from its current position.

◉ *If you have not yet written to the World Bank and would like to now, see ISSUEs 6 and 9 for necessary details (write to Oxfam 2000 for copies). Write to Mr C.L. Robless, Chief, India Division, South Asia Programmes Department, World Bank, 1818 High Street NW, Washington DC 20433, USA).*

◉ *If you have already written, why not write again saying you are delighted that they are insisting on the rehabilitation programme. Ask for an assurance that this will be an integral part of the project and that provisions will be made to ensure none of those made landless will be made worse off than before.*

Mr. OBEY. Thank you. Who's next?

Mr. WILLIAMS. Mr. Chairman, I am Larry Williams. I am Washington representative of the Sierra Club, and I would like to echo Mr. Rich's thanks to your leadership and this subcommittee's involvement in helping bring more ecologically sound sustainable natural resource development to the multilateral development banks.

We agree with the conclusion that Secretary Deputy Assistant Treasury-Developing Nations James Conroe said in his letter of January 17th to the House Banking Committee, that in general we are finding a heightened awareness in the banks of the environmental aspects of the projects. However, I do not yet feel it is time to relax. We continue to encounter instances of funding proposals being put forward with environmental aspects being put aside or left for later study. Unquote.

We believe that some progress is being made, as Mr. Conroe says. However, we think it is often more in appearance than in real substance.

Secretary Baker noted in his FY 1987 budget statement on MDBs that the Department's chief concern is that "too often the MDBs yield to borrowers on improving loan quality."

I was referring only to the need for sound economic policies. He could have included the MDBs, that they seem to ignore, fail to insist upon conditions that might make their loans less environmentally destructive.

We are also pleased with the pervasiveness that the Departments of Treasury and State have shown in addressing the problems concerning the bank loan policies, and they have been more than willing to deal—work with the environmentalists on a day-to-day basis in working on this problem.

The subcommittee is aware that the Treasury Department and the Department of State have been working together since 1984 to review MDB loan policies or proposals. This project review committee now looks at the environmental aspects of the loans.

In addition, the Agency for International Development is sending MDB loan proposals to their missions for review.

We are told that AID has been very helpful in providing valuable on-the-ground expertise. However, we have also been told by AID staffers that the service is stretching AID's financial and human resources to the breaking point, and AID's budget is already being stretched as they attempt to track their own environmental—aspects of their own environmental programs. We would urge this committee look at that, view AID's budget to see if there is something that can be done to help AID if indeed it is really necessary, to ensure that they can continue to review these loan proposals, that on-the-ground inspection by the AID missions is just invaluable, I believe.

When Secretary Baker presented his testimony to the Hill this year, he outlined a program which we referred to as program for sustained growth, which involved three elements, including credible policy reform by debtor nations.

It seemed to us that that particular goal should be expanded to say that credible policy reform by debtor nations and the MDBs, including the adoption of sustained natural resource management policies. This policy would call on the MDBs to refuse loans which would jeopardize the developing nation's ability to maintain and develop sustainable resource management.

I think there is no question that strong economy is really directly dependent on a strong natural resource base, and they have to go hand in hand. It would be useful if the Treasury Department acknowledged that in this statement of policy.

We support the Treasury Department's funding request for 1987. We feel it is necessary that the U.S. abide at this time to its previous funding commitments for the MDBs.

To turn away from these commitments now, because the banks have not responded to our demands, could hurt our credibility with other donor nations, who right now we are asking to join with us in urging that major changes be made in the banks' environmental policies.

We don't want the support of the Administration's funding request, however, to be taken as a signal that we think the MDBs are doing an adequate job in addressing their natural resource management problems. We feel that very little progress has been made within the World Bank and the Inter-American Bank, despite their claims to the contrary.

The World Bank's most visible response to Congressional and Administration requests for environmental reform was to publish an expanded section in their annual report defending their environmental sensitivity in project design.

A public relations response like this means that they're hearing us, but they are not ready to admit that maybe they are deficient in some areas, but at least they are beginning to acknowledge that they are getting some pressure, and that's encouraging.

The Inter-American Development Bank is not doing much better, but at least they set up a subcommittee, you may be aware of, which is called the Interdepartmental Environmental Management Committee, and over the last two years they have been meeting—I think they formed around November of 1983.

The Treasury Department reported to the Congress in March 1986 that since its establishment, the IDB Committee on the Environment has reviewed in detail only eight projects, and I believe that is now up to 10.

Given the IDB has funded approximately 170 projects since October 1983, we certainly question the comprehensive nature of this committee.

In addition to the small number of projects review, the Treasury Department observed in its report of March 4th that the depth of analysis may be less than desirable.

For example, the IDB told the Treasury Department that anthropologist Paul Henley of the UK had "played a role in preparing the way for development" in evaluating the impact of proposed Venezuelan bauxite mining project on the tribe of Panay Indians. Later the Treasury Department discovered that Mr. Henley had "never worked as a consultant for the regional development agency."

Treasury concluded the committee might usefully have probed this aspect of the project more thoroughly, and we certainly agree with Treasury's conclusions on that.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Williams follows:]

STATEMENT OF THE SIERRA CLUB
before the
Subcommittee on Foreign Operations
of the
Committee on Appropriations
U.S. House of Representatives
April 10, 1986

Mr. Chairman and Members of the Subcommittee:

I am Larry Williams, Sierra Club Washington Representative for International Programs. I very much appreciate the opportunity to discuss with you the Sierra Clubs position for the funding of the Multilateral Development Banks for fiscal year 1987.

The Sierra Club appreciates and supports the work of this Subcommittee in its efforts to assure that sustainable, ecologically sound development be the basis for international development assistance efforts. We thank the members of this Subcommittee for their continuing active role in the effort to convince the Multilateral Development Banks (MDBs) that these principles must be closely and carefully integrated into the development process.

We agree with the conclusion of Treasury Deputy Assistant Secretary for Developing Nations, James Conrow, in his letter of January 17, 1986 to the House Banking Subcommittee. "...in general", states Conrow, "we are finding a heightened awareness in the banks of the environmental aspects of projects. However, I do not yet feel that it is time to relax. We continue to encounter instances of funding proposals being put forward with environmental aspects being put aside or left for later study."[1/]

We also believe that some progress is being made, however, it is often more appearance than substance. We must not forget that the Banks are only in the beginning stages of what will probably be a long learning process. The banks must realize the critical importance of ensuring the preservation and enhancement of the recipient nations natural resource base when considering loan proposals. This integration of sustainable natural resource development is vital not only from an environmental standpoint but from an economic one as well.

Sec. Baker noted in his FY 1987 MDB budget statement that the Department's chief concern "is that too often the MDBs yield to borrower intransigence on improving loan quality issues."[2/] While, he was referring only to the need for sound economic policies, he could have also included that the MDBs seem to ignore, or fail to insist upon, conditions which might make their loans less environmentally destructive.

This process of re-educating the banks is not unlike that which the federal agencies experienced in 1969 when the National Environmental Policy Act (NEPA) was passed by the Congress. As you may remember, most of the federal agencies loudly protested the environmental mandates under NEPA because they were convinced that the environmental consequences of their actions were already being fully considered. It was a long, slow process for the federal agencies, requiring many citizen law suits and much proding by the Congress. It was necessary that this occur, however, in order that true integration of environmental considerations into federal planning be achieved. The federal response to NEPA may never be totally adequate but has improved considerably since 1969. Although this will be a lengthy process, we hope it will take less time for the MDB's to accomplish.

We are also pleased with the perseverance that the Departments of Treasury and State have shown in addressing this problem concerning the banks loan policies, as they have been more than willing to work with our organizations on a day-to-day basis. The Treasury Department's four member MDB loan analysis group has recently acquired the capability to systematically identify and assess the environmental aspects of project proposals in cooperation with the State Department.[3/] This internal review process cannot be expected to identify all of those loan proposals with environmental problems as the information furnished by the Banks is of low quality. We hope however, that the quality of this environmental analysis improves quickly. It is not our objective to make the staff of the Treasury Department the experts on human and resource management. Rather our goal is to educate the MDBs so that the Banks develop the expertise to evaluate their project proposals for the long term resource and human impacts without constant outside supervision. Only by our continual monitoring and questioning will the Banks begin to seriously look at the sustained resource management aspects of their loan policies.

This Subcommittee is aware that the Treasury Department and the Department of State have been working together since 1984 to review MDB loan proposals. This project review committee now looks at the environmental aspects of the loans. In addition, the Agency for International Development (AID) is sending the MDB loan proposals to their missions for review. We are told that AID has been very useful in providing valuable on-the-ground expertise. However, we have been told by AID staffers that this service is stretching AID's financial and human resources to the breaking point. AID's budget is already being stretched as they attempt to keep track of the environmental impacts of their own loans. We urge the Subcommittee to investigate further the budgetary problems this MDB loan review process is causing AID. We hope that additional funds could be found, if they are indeed needed, to insure that AID continues to monitor Bank loan proposals.

The need to understand the relationship between a sound economic policy and maintaining or developing a sustainable natural resource base in the developing nations must be integrated into the Treasury Department's thinking at all levels. When Treasury Secretary James Baker recently appeared before the Congress to support the Administration's budget request for the MDBs, he outlined a three-point program aimed at improving debtors' growth prospects. He referred to this program as a "Program for Sustained Growth" which involves the following elements:

(1) credible policy reform by the debtor nations;

(2) an enhanced role for the international financial institutions, particularly the World Bank; and,

(3) significant net new lending from the commercial banks.[4/]

We think that the first goal should be expanded to say: "credible policy reform by the debtor nations and the MDBs including the adoption of sustained natural resource management policies". This policy would call on the MDBs to refuse loans which would jeopardize a developing nation's ability to maintain or develop sustainable resource management. There is no question that a strong economy is directly dependent on a sustainable natural resource base. No nation can long maintain a stable economy without also maintaining a sustainable natural resource base.

Later in his statement, Sec. Baker observed that "projects in environmentally sensitive sectors should only be accepted if environmental aspects have been thought through, and if measures necessary for sustainable development have been identified and any necessary funding assured." We strongly agree with this observation and hope that the Department's Program for Sustained Growth will be modified to include this vital fourth-point.

We support the Treasury Department's funding requests for FY 1987. We feel it is necessary that the U.S. abide at this time to its previous funding committments for the MDBs. To turn away from these committments now because Banks have not responded to our demands, could hurt our credibility with the other donor nations whom we are asking to join us in urging that changes be made in the MDBs environmental management policies.

We don't want our support of the Administrations MDB funding request, however, to be taken as a signal that we think the MDBs are doing an adequate job in addressing their natural resource management problems. We feel that very little progress has been made within the World Bank or the Inter-American Development Bank despite their claims to the contrary. The World Bank's most visable response to Congressional and Administration requests for environmental reform was to publish an expanded section in their last annual report defending their environmental sensitivity to project design. A public relations response such as this tells us that they are aware of our concerns but they are not yet willing to concede that their operation is deficient in this area.

The Inter-American Development Bank (IDB) is not doing much better. This Subcommittee is aware, I am sure, that the IDB established the Inter-departmental Environmental Management Committee over two years ago, in November 1983. The Treasury Department reported to the Congress on March 4, 1986, that since its establishment the IDB Committee on the Environment has "reviewed in detail" only eight projects since its establishment.[5] (I believe the correct number of project reviews has now risen to ten.) Given that the IDB has funded approximately 170 projects since October 1983, we question the comprehensiveness of the Environmental Management Committee's work.

In addition to this small number of project reviews, the Treasury Department observed in its report of March 4, that the depth of analysis may be less than desirable. For example, the IDB told the Treasury Department that anthropologist Paul Henley of the UK "had played a role in preparing the way for development..." in evaluating the impact of a proposed Venezuelan bauxite mining project on the tribe of Panare Indians.[6] Later the Treasury Department discovered that Mr. Henley "had never worked as a consultant for the regional development agency."[7] Treasury concluded that the Committee might usefully have probed this aspect of the project more thoroughly."[8] We fully agree with the Treasury Department's conclusion.

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1. James Conrow, the Deputy Assistant Secretary for Developing Nations for the Treasury Department report to Rep. Stan Lundine, Chairman of the Subcommittee on International Development Institutions and Finance of January 17, 1986, page 1.
2. Statement of Treasury Secretary James Baker before the Senate Subcommittee on Foreign Operations of the Committee on Appropriations, March 12, 1986, page 3.
3. Conrow, op. cit., page 1.
4. Baker, op. cit., page 1.
5. Letter to Rep. Stan Lundine, Chairman, Subcommittee on International Development Institutions and Finance Committee on Banking, Finance and Urban Affairs, March 4, 1986, from James W. Conrow.
6. Ibid, Page 4.
7. Ibid, page 4.
8. Ibid, page 4.

Mr. WIRTH. Thank you, Mr. Chairman. My name is David Wirth, and I am senior project attorney at the Natural Resources Defense Council, NRDC.

NRDC is a national nonprofit environmental organization. We have about 55,000 members, and I am here today to testify as the other people in this panel are about the multilateral development bank appropriations, and their relationship to environmental performance of these institutions. But before I start to talk about that, Mr. Chairman, I would like to thank you very much for you and your subcommittee's vital contributions to the progress that has already been made on this issue. Because of your work and that of the subcommittee, we have seen an increased sensitivity on the part of these institutions, as the other witnesses have testified, to the environmental consequences of these projects.

I am confident that you and the subcommittee will remain attentive to this issue of the environmental performance of the MDBs, but I, like the other witnesses on this panel, would like to point out that much still remains to be done, that you realize the promise of your efforts in actual fact.

Like the other witnesses on this panel, I would like to testify in support of the Administration's FY 1987 appropriation request for the MDBs. I would note that this figure already represents a decrease over fiscal year 1984 and 1985 levels, and although we continue to have reservations about the environmental performance of these institutions, we feel that severe disruptions in their funding could be counterproductive.

A primary focus of NRDC's recent work has been in Africa, and as you know, Africa is a continent that is afflicted with among the most severe hardships to be found anywhere in the world, and our feeling is that cutting appropriations at this time to the World Bank and the other MDBs could have adverse consequences in Africa in particular.

Unfortunately, however, examples of poor performance on the environmental side continue to be all too easy to identify. One example in particular demonstrates the need for this subcommittee to attach clear expectations of U.S. government insistence on improved performance to its appropriation. And I had in mind a livestock project in Botswana that NRDC has recently become aware of. Botswana is a country in semi-arid Africa where cattle are known to present a very grave environmental risk. Although we are still in the process of documenting this project, which was just undertaken at the end of last year, the preliminary evidence that is described in my prepared statement is really quite shocking. The bank's own consultants found that the fundamental assumptions of an earlier project—and I would note that this new project is based on the same assumptions—the bank's own consultants found that this assumptions were fatally flawed.

Very recently we became aware of a cable from the AID mission in Botswana that flagged very severe difficulties with the project when it was proposed, and basically that cable said that the project was doomed to failure unless there were substantial changes made in it.

No one in the U.S. government appears to have acted on the mission's warning, and the Treasury and State Departments have undertaken a review of this project only after the loan agreement was signed and significant public pressures had been brought to bear on them.

These lapses are frequently egregious, I think, in light of the subcommittee's explicit instruction in last year's continuing appropriation bill, directing the executive to conduct a thorough evaluation of agricultural and rural development projects, of which this is one.

The situation with the cable from Botswana that was ignored is also very important, as far as the so-called early warning system that Mr. Williams testified about is concerned. We understand, Mr. Chairman, that you have submitted questions to the Treasury Department that request an explanation of how the early warning system was applied to the Botswana case, and we think that their response should be very revealing, particularly in light of the cable.

Mr. **Obey**. It should be. I don't know if it will.

Mr. **Wirth**. I will be pleased to answer questions about this project, but I think that the evidence that we already have—and I should emphasize that it still is preliminary—highlights two areas for reform that urgently demand attention.

The first, as Mr. Rich has already pointed out, is the necessity for the U.S. government to develop with input from the public criteria for—I'm sorry, this is not the point that Mr. Rich made—but I believe that it's supported by the Botswana situation—to develop with input from the public criteria for evaluating MDB projects and a list of types of projects such as livestock in semi-arid Africa most likely to be environmentally sensitive.

Your legislation that passed last year included an enumeration of such projects, and that is very helpful, but it appears that the U.S. government needs to conduct its own review and we think that that will have very beneficial impacts in terms of increasing the U.S. government's sensitivity to this issue.

The second point, and I would second Mr. Rich here, that demands immediate attention is access to information about projects. It is currently quite possible for misguided decisions to be made behind closed doors, with no opportunity for outside scrutiny. The banks, at the urging of the U.S. government, should make documents such as appraisal reports containing detailed project information available to the public.

Thank you very much.

Mr. **Obey**. Thank you.

[The prepared statement of Mr. Wirth follows:]

NRDC

Natural Resources
Defense Council

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TESTIMONY
OF
DAVID A. WIRTH
BEFORE
THE SUBCOMMITTEE ON FOREIGN OPERATIONS
OF
THE HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 10, 1986

Mr. Chairman, I am David A. Wirth, Senior Project Attorney with the Natural Resources Defense Council ("NRDC"), a nonprofit environmental organization with more than 55,000 members in every state. I appreciate very much the opportunity to testify before this Committee concerning fiscal year 1987 appropriations for the multilateral development banks ("MDBs").

NRDC has been working for more than a decade to encourage environmentally sound sustainable development. For the past five years, NRDC's work has focused on the environmental consequences of MDB projects. Mr. Chairman, your Subcommittee's attention to the environmental consequences of MDB projects has been invaluable in the past. However, much more remains to be done, and we look forward to working with this Subcommittee in the future.

NRDC supports the Administration's requested MDB appropriation for FY 87, which already represents a decrease over FY 84 and FY 85 levels. We are concerned that additional

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reductions in U.S. contributions for these institutions at a time when many developing countries are experiencing severe hardships could have significant adverse repercussions for the peoples of developing countries.

However, our support is not unqualified. We continue to be gravely concerned about the types of projects designed and financed by the MDBs when measured against standards of sustainable development and rational management of natural resources. It is vital that this Subcommittee's recommendation as to U.S. contributions to the MDBs be conditioned upon the U.S. Government's encouraging improved performance by these institutions.

The World Bank's Livestock III Project in Botswana

Recently developed information about a World Bank livestock project in Botswana approved just a few months ago plainly demonstrates that substantial further improvement is necessary. One of the principal industries in Botswana, a country in semiarid Africa with a population of approximately 1 million in 1983, is livestock production. The European Economic Community ("EEC") provides Botswana with preferential access to European markets and an annual quota of at least 19,000 tons of beef. The ready availability of European markets, with prices higher than in much of the rest of the world, provides substantial pressure for increases in the livestock sector in Botswana. Overgrazing of cattle has resulted in a significant deterioration of Botswana's rangeland resources.

Although NRDC is undertaking additional research on this project, there are strong preliminary indications that the World Bank's involvement in Botswana to date has exacerbated rather than alleviated Botswana's environmental problems. The World Bank in 1973 undertook a project, known as "Livestock I," designed to establish leasehold beef ranches and sheep farms. After cost overruns of nearly 60%, the Bank concluded that the project had been basically unsuccessful and had produced a negative economic rate of return.[1]

In 1975, the Government of Botswana instituted a major land tenure reform known as the Tribal Grazing Lands Policy ("TGLP"). Land boards were directed to apportion tribal lands, which constitute 65% of Botswana's territory, into one of three categories: "commercial," which would be allocated to fenced leasehold ranches; "communal," which were to be common areas around villages; and "reserved," where no immediate development was permitted, except wildlife management schemes. The World Bank undertook to support the implementation of TGLP principally in the commerical sector through its Livestock II project initiated in 1977. The World Bank's *own consultants* found that

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[1] See Staff Appraisal Report, Botswana: National Land Management and Livestock Project, World Bank Doc. 5471-BT, at 11-12 (Apr. 29, 1985) [hereinafter cited as Livestock III Appraisal Report].

> *[T]he project has no ability to increase cattle production as marketed offtake* ... *It has no ability to halt or reduce damage to range resources -- if anything, the reverse. It has no ability to avoid*, let alone counter, *such negative social effects as widening the income gap between rich and poor, permanently concentrating the country's land resources in the hands of a tiny percentage of its occupants, and depressing the already limited subsistence capabilities of its poorer citizens.... [W]ithout the benefit of the doubt it seems unlikely that any African livestock development project would ever be funded.*[2]

Against the backdrop of its two previous failures in Botswana, the World Bank in December 1985 signed a loan agreement for a third livestock project in that country. The project anticipates a 40% increase in beef production over a 15-year period. The U.S. Agency for International Development's ("A.I.D.'s") mission in Botswana submitted the following scathing criticism of the proposed project:

> As currently designed the proposed project will have no ability to increase cattle production as marketed offtake or to stop the degradation of range resources. The [Government of Botswana's] policy on the Tribal Grazing Lands Policy (TGLP) is contradictory. The 1975 White Paper [concerning TGLP] states "the aims are to stop overgrazing and degradation of the veld; to promote greater equality of incomes in the rural areas; and to allow growth and commercialization of the livestock industry on a sustained basis." Unrealistic assumptions behind this

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[2] S. Bekure & N. Dyson-Hudson, The Operation and Viability of the Second Livestock Project (1497-BT): Selected Issues 2 (Botswana Ministry of Agriculture 1982) (emphasis in original).

> policy include: (1) land boards would control stock numbers held by individuals (no mechanism exists to do this). (2) Land owners would remove their herds from communal areas to start their commercial ranchers [sic]. (3) Cattle production could be "more than doubled" with good management. Legislation exists in Botswana which could ameliorate some of the conditions leading to overgrazing. Under the Agricultural Resources Conservation Act, the government could reduce the size of herds. Most leasehold agreements provide for the owners to practice "good management." However, no actions have been taken to assure compliance. Indeed, it is generally recognized that some ranches financed under the first livestock development project are carrying significantly larger numbers of cattle than they should.
>
> ....
>
> Cattle ownership is extremely skewed in Botswana.... Increasing commercialization on TGLP ranches will continue the process of concentration of ownership and if the national herd size remains constant, small herds will become smaller, penalizing the small farmers who depend on draft power for crop farming.[3]

With your permission Mr. Chairman, I would like to introduce this cable, a copy of which is attached as Appendix "A," into the record. We understand that you have requested the Treasury Department to explain what use it has made of "early warning" information of the type contained in this cable in the the case of the Livestock III project. We believe that the Treasury Department's response should be revealing in light of criticisms from mission personnel who can be expected to have the most detailed and informed opinion on the situation in Botswana. Clearly the information in this cable, which is the result of firsthand experience, should have been given great weight in the evaluation of Livestock III by the U.S. Government. It is also useful to note for the record that A.I.D., to its credit, is not now involved in livestock projects in Botswana.

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[3] Gaborone 3439 (Sept. 21, 1984) (cable from A.I.D. mission in Botswana) (copy attached as Appendix "A").

There is compelling evidence that many of the defects in the proposed project identified by the A.I.D. mission were not remedied in the final version. Social scientists have strongly criticized TGLP and the Livestock III project for concentrating too heavily on a small category of highly capitalized ranches, for their potential to disrupt traditional herding and pasture management systems, and for ignoring the needs of minority populations of hunter-gatherers.[4] The Bank admits that "large scale fencing of rangeland for commercial and communal grazing land development will undoubtedly hinder traditional wildlife migrations."[5] Competition between livestock and wildlife has already had devastating effects on indigenous animal populations, with hundreds of thousands of wild animals already killed by existing fences.[6] The $17.8 million Livestock III project includes only $21,700 allocated to the strengthening of Botswana's wildlife department, the *only* portion of the project not underwritten in part by the Bank.[7] The project contains no protection at all for the unique and sensitive Okavango Delta, one of the most important of the remaining untouched wildlife areas in Africa.[8] To the contrary, the Okavango Delta, which some assert is subject to increasing pressure for utilization as a cattle ranching area, is explicitly *included* in the project. The project also contains no guarantees that cattle herd size will be controlled, despite the A.I.D. mission's assertion that the required mechanisms are already in place.

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[4] See, e.g., R. Hitchcock, Kalahari Cattle Posts, vol. 1 (Botswana Ministry of Local Government and Lands 1978); Lawry, Botswana's Tribal Grazing Land's Policy, in Land Tenure and Livestock Development in Subsaharan Africa (J. Bennett, S. Lawry & J. Riddell eds.) (1984); Peters, Embedded Systems and Rooted Models: The Grazing Lands of Botswana and the "Commons" Debate, in Capturing the Commons (B. McCay & J. Acheson eds.) (in press).

[5] Livestock III Appraisal Report, supra note 1, at 24.

Alternatives that could eliminate or mitigate the adverse impacts of Livestock III include small-scale village-level rangeland management schemes, wildlife ranching,[9] and utilization of the Okavango as a tourism resource.[10] Recommendations made to the Kalahari Conservation Society and the World Wildlife Fund have proposed protection of the Okavango through the establishment of a biosphere reserve in northern Botswana as part of an international network of conservation areas.[11]

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[6] *See* Botswana's Wildlife Losing Out to Cattle, Los Angeles Times, Aug. 26, 1984.

[7] *See* Livestock III Appraisal Report, *supra* note 1, at 21.

[8] *See generally* D. Johnson & A. Bannister, Okavango: Sea of Land, Land of Water (1977).

[9] *See, e.g.*, Hopcraft, Nature's Technology: The Natural Land-Use System of Wildlife Ranching, Vital Speeches, May 15, 1980, at 465.

The Need for Improvement

Problems associated with the Livestock III project are indicative of larger inadequacies in the MDBs' project review process. There is every indication that the World Bank in the case of Livestock III did not consider meaningful alternatives to policies that had already been shown to be counterproductive and unsuccessful in the Livestock II project. Significant criticisms from the social science community appear to have been ignored. Little or no use of loan conditions was made to conserve sensitive areas such as the Okavango Delta. Botswana is one of the few countries in Subsaharan Africa to borrow "hard" money from the Bank, which must be repaid at interest rates based on prevailing international capital markets. Questions as to the appropriateness of a World Bank project, which necessarily would entail an increase in cattle production to justify borrowing in the first place, appear never to have been raised. Likewise, there appears to have been little if any coordination with other donors to determine whether development aid options other than a World Bank "hard" loan would have provided a better approach to improve management of Botswana's rangelands.

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[10] See Bogosi, Tourism in Botswana, in Which Way Botswana's Wildlife? 45 (1983) (proceedings of Kalahari Conservation Society Symposium); E. Matenge, The Future of Tourism, in id. at 81.

[11] See J. Anderson, Chobe National Park and Moremi Wildlife Reserve: The Fundamental Problems, at 12.12 (prepared on behalf of World Wildlife Fund for Kalahari Conservation Society).

Despite professed increased sensitivity to environmental concerns raised by MDB projects, the U.S. Government's examination of the Livestock III project was cursory at best. A cable from the A.I.D. mission in Botswana (attached as Appendix "A") detailing flaws in the project appears to have been overlooked. Although livestock development in semiarid portions of Africa, such as Botswana, is known to involve adverse environmental impacts, the U.S. Government initiated a belated review of this project only after the loan agreement was signed. Defects in the examination of the Botswana project by the U.S. Government highlight the urgent need for the development of criteria to identify projects most likely in need of further environmental scrutiny by the Working Group on Multilateral Assistance and within the Treasury's Office of Multilateral Development Banks.

Further examination of strong preliminary evidence of substantive inadequacies in the Botswana project has been severely handicapped by the MDBs' highly restrictive information practices. It is difficult if not impossible to obtain descriptions of World Bank projects in even the most meager detail. As the Botswana project demonstrates, significant public policy decisions of interest to donor and borrowing countries alike can be made under this shroud of secrecy. With the encouragement of the U.S. Government, the MDBs at a minimum should undertake to make appraisal reports and other documents containing project descriptions available to the public.

Conclusion

Mr. Chairman, although there has been some progress in making the MBDs more sensitive to the environmental consequences of their projects -- much of it thanks to your efforts and those of this Subcommittee -- much more remains to be done. NRDC supports the Administration's MDB appropriation request because we are convinced that financial disruptions in these institutions would be counterproductive to the peoples of the developing world. However, this Subcommittee should attach explicit conditions to its appropriation designed to facilitate informed scrutiny of MDB projects, including the following general requirements:

1. The Executive should seek to assure that World Bank appraisal reports and other MDB documents containing project descriptions should be made available to the public in timely fashion before

the project is approved by the institution concerned; and

2. The Executive, with adequate public participation, should develop criteria for identifying sensitive projects from an environmental point of view for use in evaluating those projects within the U.S. Government.

With respect to the Botswana Livestock III project, this Subcommittee should direct the Executive to undertake a thorough review of alternatives to the project through consultation with experts in relevant disciplines and encourage the World Bank to do the same. As its past efforts have demonstrated, this Subcommittee's continued vigilance will be necessary to assure that both general and specific changes to the MDBs' environmental practices will be effectively implemented.

Mr. Chairman, this concludes my prepared statement. Thank you very much.

Department of State

INCOMING
TELEGRAM

PAGE 01 OF 02 GABORO 03439 00 OF 03 211818Z 0655 078415 AID9673
ACTION AID-00

ACTION OFFICE PPDC-01
INFO AFEA-03 AFSA-03 AFDP-06 AFDR-06 FM-02 STAG-02 SAST-01
AGRI-01 STFA-01 TRSY-05 RELO-01 MAST-01 DO-01
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INFO OCT-00 COPY-01 INR-10 SS-00 AF-00 CIAE-00 EB-08
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INFO AMEMBASSY NAIROBI

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FOR: (A) AID/W FOR PPC/DC (B) STATE FOR EB/IFD/ODF AND WGMA AGENCIES (C) TREASURY FOR OASIA/IDBUN (D) NAIROBI FOR REDSO/ESA

E.O. 12356 N/A
SUBJECT: EARLY PROJECT NOTIFICATION SYSTEM FOR MDB PROJECTS

REF: STATE 153683

1. FOLLOWING RESPONSE TO LIVESTOCK PROJECT FOR BOTSWANA INVOLVING PROPOSED LOAN OF 23.0 MILLION DOLLARS IS BASED ON FOLLOWING DOCUMENTS ON SUBJECT PROJECT:

(A) BOTSWANA LIVESTOCK SUBSECTOR MEMORANDUM 8/14/83 WORLD BANK REPORT NO 4665-BT
(B) WORLD BANK MISSION: SUMMARY OF MEETINGS WITH MESSRS. STAAB AND MORRIS INTERNAL GOVT. MEMO DATED 4/7/84
(C) AIDE-MEMOIRE FROM WORLD BANK DATED 6/23/84. WOULD APPRECIATE RECEIVING ANY DOCUMENTATION AVAILABLE TO REVIEWING AGENCIES WITH FUTURE INQUIRIES. MOST USEFUL DOCUMENT GIVING REVIEW OF PRIOR IBRD PROJECT IS TITLED: THE OPERATION AND VIABILITY OF THE SECOND LIVESTOCK DEVELOPMENT PROJECT (1487-BT): SELECTED ISSUES, BY SOLOMON BEKURE AND NEVILLE DYSON-HUDSON I.I.C.A. FOR MOA, GABORONE, BOTSWANA 1982.

2. SUBJECT THIRD LIVESTOCK DEVELOPMENT PROJECT DOES RAISE CONCERNS. HOWEVER, PROJECT IS NOT FINALIZED AND COULD BE CHANGED, SO COMMENTS REFLECT COMPONENTS SUGGESTED.

3. MACROECONOMIC SITUATION AND DEVELOPMENT NEEDS.

(A) AS A RESULT OF THE MINERAL SECTOR DURING THE PAST DECADE, BOTSWANA'S GNP ROSE AN AVERAGE 12 PERCENT PER ANNUM THROUGHOUT THE 1970S. PER CAPITA INCOME IS ESTIMATED TO BE ABOUT US DOLS 1,000.00, ONE OF THE HIGHEST IN AFRICA. RECEIPTS FROM DIAMONDS, THE SOUTHERN AFRICAN CUSTOMS UNION, AND BEEF SOLD IN EEC MARKETS UNDER TERMS OF THE LOME CONVENTION HAVE PROVIDED BOTSWANA WITH A LARGE FOREIGN EXCHANGE SURPLUS, CURRENTLY ESTIMATED AT US DOLS 435 MILLION (EQUAL TO APPROXIMATELY SIX MONTHS OF IMPORTS). THE GOVERNMENT UTILIZES ITS RESOURCES IN A VERY COMPETENT MANNER TO BUILD INFRASTRUCTURE AND PROVIDE SOCIAL SERVICES TO ITS WIDELY SCATTERED POPULATION. DESPITE THE EXCELLENT PERFORMANCE OF THE GOVERNMENT AND THE ECONOMY, DROUGHT DURING THE PAST THREE YEARS HAS HAD A DISASTEROUS EFFECT, ESPECIALLY ON THE SMALL RANCHERS.
(B) THE MISSION FAVORS CONTINUED MDB INVOLVEMENT IN THE LIVESTOCK SECTOR SINCE:
1. IT DIRECTLY AFFECTS 80 PERCENT OF THE TOTAL POPULATION WHO LIVE IN THE RURAL AREAS, 71 PERCENT OF WHOM OWN SOME CATTLE;
2. IT IS THE MAJOR SOURCE OF EMPLOYMENT AND INCOME IN THE RURAL SECTOR AND IS VIEWED BY THE RURAL POPULATION AS PROVIDING THE

BEST OPPORTUNITY TO BETTER THEIR LIVES;
3. INCOME FROM THE SECTOR IS HIGHLY SKEWED AT PRESENT, WITH 10 PERCENT OF RANCHER FAMILIES OWNING APPROXIMATELY 60 PERCENT OF THE TOTAL NATIONAL HERD.
(C) THE MISSION VIEWS IBRD INVOLVEMENT IN LIVESTOCK PROGRAMS AS AN OPPORTUNITY WHICH CAN ASSIST THE GOB IN IMPROVING PRACTICES IN THIS SECTOR. A GOB-SPONSORED STUDY ON LAND TENURE (1983) POINTED OUT THE NEED FOR CHANGES IN THE LIVESTOCK SECTOR AND, IN PRIVATE, GOB SPOKESMEN HAVE ALSO INDICATED A RECOGNITION OF THE NEED FOR REFORM. SINCE THE RULING PARTY OVERWHELMINGLY WON THE ELECTIONS ON SEPTEMBER 8, THIS WOULD APPEAR AN EXCELLENT TIME TO ENCOURAGE THE GOB TO IMPLEMENT NEEDED REFORMS. DURING FINAL NEGOTIATIONS OF THIS PROJECT, THE COMPONENTS OF THE LOAN MAY REQUIRE SOME REEVALUATION, AND IBRD COULD USE THIS PROJECT TO ASSIST IN BRINGING ABOUT NEEDED POLICY CHANGES IN THE LIVESTOCK SECTOR.

4. ECONOMIC POLICIES AFFECTING SECTOR

(A) BOTSWANA SUFFERS FROM SEVERE OVERGRAZING, A CONDITION EXACERBATED BY THE BUILD-UP OF THE NATIONAL HERD FROM AN ESTIMATED 2.2 MILLION IN 1970 TO 2.8 MILLION IN 1983.
TOTAL OFFTAKE IS LOW, ABOUT 9 PERCENT IN 1982, THE SECOND YEAR OF THE DROUGHT. THIS FIGURE WAS GREATLY EXCEEDED BY ESTIMATES OF CATTLE DEATHS DURING THE YEAR OF 465,000 OR 17 PERCENT OF THE HERD. EVEN DURING A NORMAL YEAR, CATTLE DEATHS NORMALLY EXCEED OFFTAKE. AS CURRENTLY DESIGNED THE PROPOSED PROJECT WILL HAVE NO ABILITY TO INCREASE CATTLE PRODUCTION AS MARKETED OFFTAKE OR TO STOP THE DEGRADATION OF RANGE RESOURCES. THE GOB POLICY ON THE TRIBAL GRAZING LANDS POLICY (TGLP) IS CONTRADICTORY. THE 1975 WHITE PAPER STATES ''THE AIMS ARE TO STOP OVERGRAZING AND DEGRADATION OF THE VELD; TO PROMOTE GREATER EQUALITY OF INCOMES IN THE RURAL AREAS; AND TO ALLOW GROWTH AND COMMERCIALIZATION OF THE LIVESTOCK INDUSTRY ON A SUSTAINED BASIS.''
UNREALISTIC ASSUMPTIONS BEHIND THIS POLICY INCLUDE: . (1) LAND BOARDS WOULD CONTROL STOCK NUMBERS HELD BY INDIVIDUALS (NO MECHANISM EXISTS TO DO THIS). (2) LAND OWNERS WOULD REMOVE THEIR HERDS FROM COMMUNAL AREAS TO START THEIR COMMERCIAL RANCHERS. (3) CATTLE PRODUCTION COULD BE ''MORE THAN DOUBLED'' WITH GOOD MANAGEMENT. LEGISLATION EXISTS IN BOTSWANA WHICH COULD AMELIORATE SOME OF THE CONDITIONS LEADING TO OVERGRAZING. UNDER THE AGRICULTURAL RESOURCES CONSERVATION ACT, THE GOVERNMENT COULD REDUCE THE SIZE OF HERDS. MOST LEASEHOLD AGREEMENTS PROVIDE FOR THE OWNERS TO PRACTICE ''GOOD MANAGEMENT''. HOWEVER, NO ACTIONS HAVE BEEN TAKEN TO ASSURE COMPLIANCE. INDEED, IT IS GENERALLY RECOGNIZED THAT SOME RANCHES FINANCED UNDER THE FIRST LIVESTOCK DEVELOPMENT PROJECT ARE CARRYING SIGNIFICANTLY LARGER NUMBERS OF CATTLE THAN THEY SHOULD.

(B) QUALITY MANAGEMENT IS LACKING ON MOST TGLP RANCHES. THERE IS GENERAL AGREEMENT THAT THIS IS A MAJOR PROBLEM AREA, BUT ALSO THERE APPEARS TO BE NO REMEDIAL ACTIONS SUGGESTED UNDER LDP III, NOR ARE THERE ANY MOA POLICY CHANGES TO ADDRESS THIS LACK. THERE ARE SEVERAL FACTORS CONTRIBUTING TO THIS SITUATION. (1) MANY TGLP RANCHES ARE UNDER THE CONTROL OF ABSENTEE LANDLORDS (2) RANCHES ARE ALLOCATED WITHOUT SUFFICIENT EMPHASIS PLACED ON RELEVANT MANAGERIAL EXPERIENCE. (3) THE RANCH TRAINING CENTER HAS LITTLE IMPACT ON TGLP MANAGEMENT WITH ONLY 20 TO 30 OF THE 160 GRADUATES BEING EMPLOYED BY THIS SECTOR.

(C) THE NATIONAL ABATTOIR CAPACITY IS INSUFFICIENT TO MAINTAIN THE TOTAL HERD AT A CONSTANT SIZE EVEN GIVEN THE PRESENT LOW PRODUCTIVITY. PHYSICAL REMOTENESS WITH FEW ACCESS ROADS IS AN ADDITIONAL PROBLEM FACED BY HERD OWNERS IN SOME AREAS. THE PROPOSED BUILDING OF A THIRD ABATTOIR IN FRANCISTOWN MAY ALLEVIATE PART OF THIS PROBLEM, BUT IT IS NOT MENTIONED AS A CONDITION PRECEDENT TO LDP III. ONE CONSEQUENCE OF THE PRESENT LOW ABATTOIR CAPACITY IS THAT RANCHERS COMPLAIN THAT THEY CANNOT SELL SUFFICIENT NUMBERS OF CATTLE. SMALL HOLDERS HAVE BEEN PARTICULARLY DISADVANTAGED BECAUSE THE COOPERATIVES HAVE A SMALL QUOTA RELATIVE TO

THE LARGER FREEHOLD RANCHERS.

(D) CATTLE OWNERSHIP IS EXTREMELY SKEWED IN BOTSWANA. ONE FIFTH OF ALL FARM HOUSEHOLDS IN THE TRADITIONAL SECTOR OWNED NO CATTLE IN 1983. ONE QUARTER OF ALL CATTLE FARMS OWNED UNDER 10 HEAD ANOTHER QUARTER OWNED BETWEEN 11 AND 20 HEAD OF CATTLE. FARMERS HAVING MORE THAN 150 HEAD OF CATTLE OWNED 32 PERCENT OF THE NATIONAL HERD. THEIR AVERAGE HERD SIZE IS 320 ANIMALS. INCREASING COMMERCIALIZATION ON TGLP RANCHES WILL CONTINUE THE PROCESS OF CONCENTRATION OF OWNERSHIP AND IF THE NATIONAL HERD SIZE REMAINS CONSTANT, SMALL HERDS WILL BECOME SMALLER, PENALIZING THE SMALL FARMERS WHO DEPEND ON DRAFT POWER FOR CROP FARMING.

(E) THE TAXATION SYSTEM IN BOTSWANA TENDS TO FAVOR THE LIVESTOCK SECTOR, WITH MORE LIMITED SUPPORT FOR THE ARABLE SECTOR. ACCORDING TO REFERENCE 1 (A) THE AVERAGE ANNUAL SUBSIDY TO THE LIVESTOCK INDUSTRY DURING THE YEARS 1978 TO 1982 WAS P6 MILLION. INCOME TAXES PAID BY LIVESTOCK RANCHING ENTERPRISES AND INDIVIDUALS ARE LOW, THE EEC PREMIUIM IS LARGELY RETURNED TO PRODUCERS SELLING CATTLE, AND MOST LIVESTOCK SERVICES ARE PROVIDED FREE. IN ADDITION, INPUTS SUCH AS BONEMEAL AND MINERAL SALTS ARE HEAVILY SUBSIDIZED AND SOLD ONLY IN LARGE QUANTITIES WHICH RESULTS IN THE LARGEST PRODUCERS OBTAINING THE PRIMARY BENEFIT. LDP III DOES NOT ADDRESS THE DESIRABILITY OF ELIMINATING SUBSIDIES, OR INCREASING TAXES IN THE LIVESTOCK SECTOR TO ENABLE IT TO BE SELF SUPPORTING.

5. TRACK RECORD OF EXISTING INSTITUTIONS.

(A) MINISTRY OF AGRICULTURE (LIVESTOCK PRODUCTION COMPONENT). THE PROJECT PROPOSES TO IMPROVE EXTENSION ACTIVITIES BY ADDING STAFF (RANCH EXTENSION OFFICERS (REO'S) AND VETERINARY ASSISTANTS), CONDUCTING TRAINING FOR REO'S AND IMPROVING FACILITIES. MOF CONCERN OVER RECURRENT STAFF COSTS AND ITS OPPOSITION TO FURTHER EXPANSION OF THE DEPT. OF FIELD SERVICES (DAFS) IS NOT DISCUSSED IN THE PROPOSAL.

(B) NATIONAL DEVELOPMENT BANK (RANCH DEVELOPMENT COMPONENT) THIS INSTITUTION WOULD BE THE HOLDER OF CREDIT FOR ABOUT 200 RANCHES OVER AN INITIAL PERIOD OF 5 YEARS. IN 1983 THE WORLD BANK CALCULATED THAT EACH RANCH WOULD REQUIRE AN INITIAL CAPITAL INVESTMENT COST OF P53,000 IN THE FIRST THREE YEARS, AND THAT THE MINIMUM ECONOMIC SCALE OF OPERATION WOULD BE ABOUT 500 HEAD OF CATTLE ON A RANCH SIZE OF BETWEEN 4,500 HECTARES AND 5,000 HECTARES. TO MONITOR LOANS OF THIS SIZE AND COMPLEXITY REQUIRES EXPERIENCE AND KNOWLEDGE BY THE BANK STAFF. IT IS SAID THAT ABOUT ONE-QUARTER OF THE OUTSTANDING LOANS TO LIVESTOCK RANCHES MADE BY THE NDB ARE OVERDUE. THE FIRST LOAN REPAYMENTS DUE UNDER LIVESTOCK I AND II ARE DUE THIS YEAR FROM THE NJANE RANCHES. IT MIGHT BE PRUDENT TO ASSESS THE ABILITY OF THESE RANCHERS TO REPAY BEFORE REPLICATING THIS MODEL OF RANCH DEVELOPMENT.

(C) MINISTRY OF LOCAL GOVERNMENT AND LANDS (MLGL) (LAND USE PLANNING COMPONENT)
THE PROJECT PROPOSES TO STRENGTHEN THE DISTRICT OFFICES OF THE MLGL, CREATE A DISTRICT PLANNING UNIT (DPU), STRENGTHEN THE MAIN AND SUB-ORDINATE LAND BOARDS, AND STRENGTHEN THE LAND DEVELOPMENT SECTION. CONCERN HAS BEEN EXPRESSED BY SENIOR MOA OFFICIALS THAT TOO MUCH OF THIS ASSISTANCE MAY BE PROVIDED BY EXPATRIATES, LEAVING LITTLE BEHIND AFTER THEIR DEPARTURE. ANOTHER CONCERN IS THE SIZE OF THE INVESTMENT IN THIS RATHER NON-PRODUCTIVE SECTOR.

6. THERE APPEAR TO BE AREAS WHICH WARRANT FURTHER WORK ON THE SUGGESTED PROJECT DESIGN. USAID HAS NO PROJECTS IN THE LIVESTOCK SECTOR. THE AGRICULTURAL TECHNOLOGY IMPROVEMENT PROJECT (ATIP) IS GATHERING DATA ON INTEGRATED ARABLE AND LIVESTOCK FARMS IN A LIMITED GEOGRAPHICAL AREA OF BOTSWANA. THERE ARE NO KNOWN SERIOUS UNDESIRABLE INCONSISTANCIES BETWEEN THIS PROJECT AND THE ACTIVITIES OF OTHER DONORS.

7. USAID DID NOT HAVE CONTACT WITH VISITING BANK STAFF

8. THE TGLP RANCHES OFFER SCOPE FOR INDIVIDUAL ENTREPRENEURIAL ACTIVITY. COMMERCIAL BANK DEMONSTRATED THEIR SKILLS IN AREAS OF RANCH MANAGEMENT. LOANS MADE BY THE NDB MAY NOT REQUIRE THE DEMONSTRATED MANAGERIAL CAPACITY DEMANDED BY THE COMMERCIAL BANKS.

9. USAID/EMBASSY BELIEVES THAT THE GOB IS NOW OPEN TO REFORMS IN THE LIVESTOCK SECTOR AND THAT THE PROPOSED PROJECT, IF PROPERLY STRUCTURED, COULD SIGNIFICANTLY FACILITATE THE REFORM PROCESS.

10. CABLE RESPONSE IS MADE JOINTLY BY USAID AND EMBASSY.
MAINO

Mr. OBEY. Let me simply say that I appreciate your comments about the work the Subcommittee has done. I can't help but recall that Gaylord Nelson was giving speeches eight, nine years ago about what we were doing in South America in terms of the deforestation, the havoc that we were wreaking, and the absent-minded, if not mindless, large cattle grazing projects that were being generated, not only abroad but also in some places in this country as well.

I think it is clear that people who are concerned with this issue are not just tree lovers, but there is recognition that if you screw up the national environment of a society, you can screw up the economy of that society as well. And I certainly agree with you about the Botswana project, from all that I know about it. It looks to be maybe a cattle grazing project, but I think it would be better classified as a turkey of the first order. [Laughter.]

Mr. McHugh?

Mr. McHUGH. I have nothing, Mr. Chairman. Thank you, gentlemen.

Mr. OBEY. Thank you.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

JOSEPH D. YOUSSOUF, THE TURKISH CYPRIOT CULTURE AND EDUCATIONAL ASSOCIATION OF THE UNITED STATES

Mr. OBEY. Next, Mr. Joseph Youssouf.

Mr. YOUSSOUF. Thank you, Mr. Chairman.

First I would like to take this opportunity to express the sincere appreciation of my organization and certainly of myself for the opportunity to appear before the committee.

It may come as no surprise to the Chair or anybody else who is reading this transcript or hears this testimony that I couldn't disagree more strongly with some of the information that you were given by two of the preceding witnesses, specifically Mr. Manatos and Mr. Lomis.

What I would like to do with you, I have submitted a written statement for the record, but what I would like to do with you is highlight what I think are very, very significant and important policy considerations which I would ask you to look at as you consider military and general economic assistance appropriations to Turkey.

Of course, the position that we take is that Turkish assistance should not be reduced, and the 7-to-10 ratio which has existed for quite some time should be abandoned. A simple look at the map will indicate the immense strategic importance of Turkey.

That is not the focus of what I'm talking about, though. What I would like to try to do is disabuse this committee, if it suffers under the misapprehensions of the analysis regarding Cyprus, of those misapprehensions. And also I would like to put forth in the record what we believe to be an accurate and straightforward analysis of the events which occurred on Cyprus and their most recent turn and why those events should not be utilized to punish Turkey by reducing assistance appropriations to that country.

On November 15th of 1983, the Legislative Assembly of the Turkish Federated State of Cyprus proclaimed the independence of the Turkish Republic of Northern Cyprus. A Constitutional Commission was subsequently convened and drafted a new constitution. On May 5th of 1985, the proposed constitution was submitted to a general referendum, and over 70 percent of the electorate participated in the election and approved that constitution. 88.4 percent of all persons eligible to vote in Northern Cyprus voted for a General Assembly on June 23, 1985.

I cite these statistics to highlight the tremendous difference between the reality of Cyprus and what the Congress has done in recent years, specifically since 1974, regarding Turkish involvement in Cyprus.

A review of the Congressional Record reveals that members of the Senate and House expressed opposition to and dissatisfaction with the original declaration of independence, the constitutional referendum, and the national elections. Various Congressmen have expressed the belief that Turkey was somehow responsible for these events and raised the specter of further reductions in military assistance to Turkey as a means of pressuring Turkey and the Turkish Cypriots to settle the Cyprus dispute along the lines suggested by our Greek Cypriot friends, namely the immediate withdrawal of all Turkish military forces from the island and the restoration of the 1960 constitution.

Now since 1974 Congress has consistently supported a quote, "united Cyprus," and has taken steps to effectuate that objective, such as the arms embargo of 1975 and the artificial and, I believe, counterproductive 7-to-10 military ratio between Greece and Turkey.

Now the obvious question is, why has the Congress determined that a united Cyprus is a desirable and necessary American foreign policy objective? What reasons exist which mandate that the United States must support a return to the pre-1974 conditions on the island? What considerations have those Congressmen who oppose the establishment and maintenance of the Turkish Republic of Northern Cyprus given to the rights and desires of the indigenous Turkish Cypriot population? And finally, how are American interests advanced by opposition to the establishment of a secular, democratic republic and the adoption of a democratic constitution by general referendum in a predominantly Moslem Middle Eastern country?

It is respectfully submitted that these questions have not been adequately addressed and that Congressional hostility, as expressed, to the will of the Turkish Cypriot people proceeds from mistaken assumptions and erroneous information disseminated by a well-organized and very powerful ethnic lobby.

My purpose is to explain basically why the Turkish Cypriots declared their independence and why they adopted a new constitution, and then to examine those in relation to this committee's area of jurisdiction regarding these appropriations.

In 1681, John Locke wrote, quote: "Whenever law ends, tyranny begins. If the law be transgressed to another's harm, and whosoever in authority exceeds the power given him by the law and makes use of the force he has under his command to compass that upon the subject which the law allows not, ceases in that to be a magistrate, and acting without authority, may be opposed as any other man who by force invades the right of another."

This quotation is relevant in view of the events which actually transpired in Cyprus subsequent to its creation as an independent nation in 1960.

At the time of its original inception, the Republic of Cyprus was intended and designed by its constitution and underlying treaty-guaranteed documents to be a Greco-Turkish bicommunal republic with two official languages and a distinct sharing of power by both ethnic communities. Turkish Cypriots would be amazed, had they heard Dr. Lomis speak today about guarantees for the rights of the minority population. They would be amazed because, as we all know, the best teacher or the predictor of the future is past experience.

The Legislative and Judicial Branches under the 1960 constitution were to be divided between Turks and Greeks. The civil service was also to be divided, and a basic ratio, as set forth in that constitution, was to be strictly maintained.

Now it was widely accepted by all parties concerned that if this fragile new republic was to survive, it required a deep dedication to basic constitutional principles by those elected officials who had sworn allegiance to the constitution when they assumed office. Unfortunately, the new constitution was betrayed by the very individuals who had pledged to support and enforce its principles.

The first President of the republic was Archbishop Makarios. On August 16, 1960, the very day the republic was inaugurated, he declared, quote: "Independence was not the aim and purpose of the EOKA struggle," EOKA referring to a terrorist organization sponsored by and maintained by such infamous individuals as General Grevas, who had regularly and continuously mounted unprovoked attacks upon British military and civilian personnel.

Be that as it may, the quote goes on: "Foreign factors have prevented the achievement of the natural goal, but this should not be a cause for sorrow. New bastions have been constructed, and from these bastions, the Greek Cypriots will march on to complete and final victory." The final victory referred to by President Makarios was union with Greece and, in fact, the destruction of the independent Republic of Cyprus.

Makarios made liberal use of the Greek Cypriot schools and services of the Greek Cypriot controlled Cyprus Broadcasting Corporation in propagating his Hellenistic passion. In Greek Cypriot schools, children were taught, and this is an exact quote: "Cyprus is Greek, and the Turks are intruders." As for the Greek controlled Cyprus Broadcasting Corporation, it regularly broadcast virulently anti-Turkish plays that were racist and unbelievably bloodthirsty. In one of those plays, a mother asked her son what he wanted to become when he grew up. He replied, quote: "A hero." When she asked him, "What will you bring us," he answered, quote: "I am going to bring you seven Turkish heads."

It is clear that the Greek Cypriot leaders never abandoned their goal of "ENOSIS"even though they knew that this goal was expressly prohibited by the Zurich-London accords of 1959 and the 1960 constitution. By December of 1963, the republic was shattered by intercommunal violence directed against the Turkish population by a former EOKA terrorist who had, in fact, assumed complete control of the Cyprus National Guard and the Cyprus police force.

Between 1963 and 1974, the Turkish population of Cyprus was systematically deprived of basic consitutional and civil rights. The Turkish population was impoverished by an economic blockade, deprived of participation in the government, and repeatedly subjected to armed assaults. The final act in this tragedy was played on July 15, 1974, when a coup-de-etat planned and staged by the military junta, then ruling Greece, installed as President of Cyprus a self-proclaimed terrorist, Nikos Sampson, who had first won election to the Greek Chamber of Deputies under the heading or caption of "Death to the Turks."

Fortunately for the Turkish population of Cyprus, the government of the Republic of Turkey intervened on July 20, 1974. This intervention, which has been repeatedly since 1974 classified as illegal, was, in fact, carried out pursuant to a valid, existing international treaty which had been signed by Greece, Turkey, and Great Britain, and it is interesting and important to note that the Greek Supreme Court, after the removal of that infamous junta, ruled in a case properly before its jurisdiction that Turkish intervention in Cyprus was a direct result of the coup-de-etat and Athens' intervention.

Between 1974 and '83, the search for a formula to end the conflict continued to no avail. Turkish Cypriots do not want a return to the conditions of 1974 and fear for their safety and welfare, should the Turkish military presence be removed.

In 1975, the Greek Cypriot author, Zenon Stavrinides, analyzed the Cyprus conflict. What he said, I think, bears relevance to the analysis of whether or not Turkish intervention should continue. I would just like to end with a citation to that quote, which is at page 6.

The basic position that we take at this point in time is that given the history of Cyprus and the fact that the new constitution has been classified as democratic by all parties concerned who have examined it, is a clear indication that the position advanced by my predecessors at this table today was erroneous and misleading. It just wasn't the fact.

Turkey should not be punished for its involvement in Cyprus, but actually should be praised, because what they did was save the lives and welfare of Turkish Cypriots. The next speak who will follow me is, in fact, a Turkish Cypriot who has an intimate knowledge of specifically what happened in Cyprus beforehand.

As you consider the appropriations for this year, I ask you, please, to pay careful attention to the essential facts, which have remained largely hidden until the last two years when people from the other side—and when I say "the other side," I mean the Turkish Cypriot side—have had an opportunity to appear before the Congress and put in the record their understanding of what actually happened between 1974, pre-1974, and during the recent negotiations.

Mr. Chairman, thank you.

Mr. OBEY. Thank you, Mr. Youssouf.

[The prepared statement of Mr. Joseph D. Youssouf follows:]

STATEMENT OF JOSEPH D. YOUSSOUF, ESQUIRE, REPRESENTATIVE OF THE TURKISH CYPRIOT CULTURAL AND EDUCATIONAL ASSOCIATION OF THE UNITED STATES OF AMERICA BEFORE THE HOUSE APPROPRIATIONS COMMITTEE, SUB-COMMITTEE ON FOREIGN OPERATIONS ON APRIL 10th, 1986

Mr. Chairman and Members of the Sub-Committee:

Thank you for giving me this opportunity to appear before the Sub-Committee on behalf of the Turkish Cypriot Cultural and Educational Association of the United States of America. I sincerely hope that the information contained in this statement will assist the Sub-Committee as it considers foreign assistance appropriations to Turkey and Cyprus.

On November 15th, 1983, the Legislative Assembly of the Turkish Federated State of Cyprus proclaimed the independence of the Turkish Republic of Northern Cyprus. The constitutional commission was convened for the purpose of drafting a new fundamental legal document. On May 5th, 1985 the proposed constitution was submitted to a general referendum and was approved by 70% of the general electorate participating in the election. Pursuant to the terms of the new constitution, national elections were held on June 23rd, 1985. 88.4% of all persons eligible to vote in the Turkish Republic of Northern Cyprus participated in the election and four major political parties gained seats in the Assembly o the Republic.

A review of the Congressional Record reveals that members of the Senate and the House expressed opposition to and dissatisfaction with the declaration of independence, the constitutional referendum, and the national elections. Various Congressman expressed the belief that Turkey was somehow responsible for these events and raised the spectre of further reductions in military assistance to Turkey as a means of pressuring Turkey and the Turkish-Cypriots to settle the Cyprus dispuste along the lines suggested by the Greek-Cypriots, namely the withdrawal of Turkish military forces and the restoration of the 1960 constitution. Since 1974, Congress has consistently supported a "united" Cyprus and has taken steps to effectuate that objective such as the arms embargo of 1975 and the artificial and counter-productive 7:10 military aid ratio between Greece and Turkey.

The obvious question is why has the Congress determined that a "united" Cyprus is a desirable and necessary American foreign policy objective. What reasons exist which mandate that the United States must support and return to pre-1974 conditions on the island? What consideration have those Congressman who opposed the establishment and maintenance of the Turkish Republic of Northern Cyprus given to the rights and desires of this indigenous Turkish-Cypriot population? And how are American interests advanced by opposition to the establishment of a secular, democratic republic and the adoption of a democratic constitution by general referendum in a predominantly Moslem, Middle Eastern Country?

It is respectfully submitted that these questions have not been addressed and that Congressional hostility to the expressed will of the Turkish Cypriot people proceed from mistaken assumptions and erroneous information disseminated by a well organized ethnic lobby.

The purpose of this paper is to explain why the Turkish Cypriots declared this independence and adopted a new constitution. Secondly, it presents a brief description and analysis of the new constitution and examines the foreign policy implications of these events.

WHY IDEPENDENCE AND WHY A NEW CONSTITUTION

In 1681 John Locke wrote:

> Whenever law ends, tyranny begins, if the law be transgressed to anothers home; and whosever in authority exceeds the power given him by the law, and makes use of the force he has under his command, to compass that upon the subject which the law allows not, ceases in that to be a magistrate; and, acting without authority, may be opposed as any other man who by force invades the right of another.

The Republic of Cyprus was established in August of 1960. At the time of its creation, it was intended and designed to be a Greco-Turkish, bi-communal republic with two official languages and a sharing of power by both ethnic communities. The 1960 constitution provided for a presidential regime with the president being a Greek-Cypriot and the vice-president a Turkish-Cypriot. The Council of Ministers was to consist of seven Greek-Cypriots and three Turkish-Cypriots. The legislative and judicial branches of the government as well as the civil service were also apportioned between the two communities of Cyprus.

It was widely accepted that if this fragile new republic was to survive, it required a deep dedication to its constitutional principles by those elected officials who swore allegiance to the new constitution when they assumed office. Unfortunately, the new constitution was betrayed by the very men who had pledged to support and enforce its principles.

The first President of the new republic was Archbishop Makarios. On August 16th, 1960, the very day the Republic was inagurated he declared:

> Independence was not the aim and purpose of the EOKA struggle... Foreign factors have prevented the achievement of the national goal. But this should not be a cause for sorrow... New bastions have been constructed and from these bastions the Greek-Cypriots will march on to complete the final victory.

The final victory referred to by the President was union with Greece and the destruction of the Independent Republic of Cyprus.

Archbishop Makarios made liberal use of the Greek-Cypriot schools and the services of the Greek Cypriot-controlled Cyrpus Broadcasting Corporation in propagating his hellenistic passion. In Greek-Cypriot schools, children were taught that "Cyprus is Greek and that the Turks are intruders". "As for the Greek controlled Cyprus Broadcasting Corporations, it regularly broadcasts anti-Turkish plays. In one of those plays, a mother asked her son what he wanted to become when he grew up. He replied "a hero". When she asked him "what will you bring us" he answered "I am going to bring seven Turkish heads to you."

It is clear that the Greek-Cypriot leaders never abandoned their goal of "ENOSIS" or union with Greece, even though they new that this goal was expressly prohibited by the Zurich-London Accords of 1959 and the 1960 constitution.

By December of 1963 the Republic was shattered by inter-communal violence directed against the Turkish population by former EOKA terrorists. Between 1963 and 1974 the Turkish population of Cyprus was systematically deprived of basic constitutional and civil rights. The Turkish population was impoverished by an economical blockade, deprived of participation in the civil service, and repeatedly subjected to armed assaults. The final act in the tragedy of the Republic of Cyprus was played on July 15th, 1974 when a coup-de-etat planned a staged by the military junta then ruling Greece installed as President of Cyprus a self-proclaimed terrorist Nikos Sampson. It was very clear to the Turkish population that they were in immediate peril.

Fortunately for the Turkish poplulation of Cyprus, the government of the Republic of Turkey intervened on July 20th, 1974. This intervention, which has been erroneously classified as "illegal" was in fact carried out pursuant to a valid existing international treaty which had been signed by Greece, Turkey and Great Britain.

Between 1974 and 1983 the search for a formula to end the Cyprus conflict continued to no avail. Greek-Cypriots have continuously demanded the removal of Turkish troops from the island and a return to pre-1974 conditions. Turkish-Cypriots, on the other hand, do not want a return to the conditions of 1974 and fear for their safety and welfare should the Turkish military presence be removed.

Finally, on November 15th, 1983 after years of frustration the Legislative Assembly of the Turkish Federated State of Cyprus proclaimed its national independence. In very simple terms, the Turkish Cypriot Declaration of Independence recognized and formalized a long established political and social reality, the seperate existence of a Turkish nation on Cyprus. In his 1975 book entitled The Cyprus Conflict, the Greek Cypriot author Zenon Stavrinides described this reality as follows:

> It is often inevitable to speak generally of "Cypriots", or "the people of Cyrpus", but such expressions may be a bit misleading if they suggest that the 650,000 souls now living in Cyprus form one people, a nation characterized by a sameness of language, culture, religion or political loyalty. If these commonly accepted criteria of nationhood are applied to the people inhabiting Cyprus, they will have to be divided into different national or ethnic groups. The crucial point, however, is that the two main ethnic groups which are to be found in the island are thought of by their members as being not "self-contained" Cyprus based nations, but integral parts of larger nations. Traditionally at least, 80 per cent of the Cypriots have been very conscious of their Greek language, Greek culture and history, and Greek Orthodox religion; and these things make them not Cypriots who just happended to have had Greek origins, but Greeks living in Cyprus, and as such members of the larger Greek nation. Analogously, 18 per cent have thought of themselves as Turks living in Cyprus, and members of the larger Turkish nation. Thus, although Andreas and Ali may be natives and residents of Cyprus, and regard the island as their common homeland, they do not normally regard themselves as compatriots, but rather as neighbors.

Given these realities, it can truly be argued that Turkish

Cypriot nationhood was the logical outcome of historical trends and events which date back to at least 1571 when the Ottoman Turks wrested Cyprus from Venice.

In 1762 Jean Jacques Russeau declared:

> There is but one law which by its nature requires unanimous consent, that is, the social compact; for civil association is the most voluntary act in the world; every man being born free and master of himself, no one can, under any pretext whatever, enslave him without his assent.

The Turkish-Cypriots exercised their inherent right of self-determination in 1983 when they declared their independence. They decided that they could no longer accept inferior political and social status in their homeland. The decided that a new social compact was necessary and desirable, that a new fundamental organic law was required and that freedom and democracy were essential and tyranny unbearable.

WHAT TYPE OF GOVERNMENT DOES THIS NEW CONSTITUTION DEFINE?

In his 1974 book, The Emerging Constitution, Rexford G. Tugwell defined the purposes of a constitution as follows:

> They (constitutions) establish a government, make a more or less complete statement of purposes (a preamble), a brief but specific indication of its structure; they provide an indication of powers and their distribution among officials, together with a statement of rights given to and duties expected of citizens. So a constitution is not only a profession of intention by its people, but also a guide for the governing and the governed.

This definition is fully applicable to the Constitution of the Turkish Republic of Northern Cyprus.

Article 1 of the Constitution declares that the Turkish Republic of Northern Cyprus is a "Secular Republic". It establishes a tripartite form of government similar to the republican form of government created by the United State Constitution of 1787. The legislative power is vested in an Assembly of the Republic, the judicial power is vested in a system of "independent courts" and the executive duties are entrusted to a president of the Republic and Council of Ministers.

Article 7 of the Constitution proclaims the supremacy and binding force of the constitution by mandating that no law adopted shall be "contrary to or inconsistent with the constitution". Of prime interest and conern to Americans should be Article 8 which unequivocally states:

> (1) Every person shall be equal before the Constitution and the law without any discrimination. No privileges shall be granted to any individual family, group or class.
> (2) The organs and administrative authorities of the state are under an obligation to act in conformity with the principal of equality before the law and not to make any discrimination in their actions.

Unlike the American Constitution which required amendment to include the Bill of Rights, Part Two of the Constitution of the Turkish Republic of Northern Cyprus establishes and defines certain fundamental rights, liberties and duties. Article 10 (1) states:

> "Every person has, by virtue of his existence as an individual, personal fundamental rights, and liberties which cannot be usurped, transferred or renounced".

Article Fourteen guarantees every person the right to live in peace, security and tranquility and proscribes torture and punishment which "is incompatible with human honor and dignity.

Article 17 requires that every person shall

> "in the determination of his civil rights and obligations or of any criminal charges against him, be entitled to a fair and public hearing whithin a reasonable time by an independent, impartial and competent court established by law."

Additionally, every person has the right to be informed of charges against him and to be represented by a lawyer of this choice. This constitution also incorporates the presumption of innocence for those charged with a criminal offense.
Article 19 prohibits "bodily searches of a person or a search of his private papers and belongings without a court or judges order". This constitution holds inviolate a persons dwelling house while simultaneously guaranteeing such fundamental freedoms as those of communication, movement, residence, conscience, religion, thought, speech, expression, science, art, assembly, demonstration, the press and the right to publish newspapers, periodicals and phamplets.

Chapter 3 proclaims social and economic rights, liberties and duties. This section declares that the family is the foundation of the community and requires the government to adopt necessary measures and establish necessary organizations for the protection of the family. Citizens are guaranteed the right to work "in any field of his liking". Citizens are also guaranteed the right to establish private enterprises. The constitution also guarantees the right to work as well as the right to rest. It mandates equity in pay while giving workers the right to establish trade unions and engage in collective bargaining. It establishes a system of social security and specifically requires protection against hunger as well as the right to education, training and the rehabilitation of the poor.

The right to vote is granted to all citizens who have attained the age of 18. Every citizen who has attained the age of 25 years has the right to be elected to public office. Citizens have the right to form political parties and engage in partisan politics.

From an American legal and political perspective, the Constitution of the Turkish Republic of Northern Cyprus is an admirable document. It embodies rights which we as Americans hold sacred and it reflects a clear bias in favor of Western European and American democratic principles and traditions.

As we all know, the Middle East is of vital importance to the United States. Unfortunately, authoritarian, repressive and undemocratic regimes predominate in this part of the world. The United States prides itself on fostering democracy throughout the world. We, as a nation, have encouraged the propagation of democratic institutions in every country where they have taken root. We have praised freedom and self-determination and have fought for these principles repeatedly in this century. Yet, in

Cyprus, the United States opposes the very principles it supports elsewhere. Are not the Turkish Cypriots entitled to the same freedoms and rights we wish for the oppressed victims of social and political discrimination throughout the world?

When a Congressman speaks "of the hopes of the citizens of Cyprus that they might see an end to the eleven year occupation and division of their homeland" is he speaking of the Turkish Cypriots as well as Greek Cypriots? When a Congressman declares that the people of Cyprus "deserve to live united and free of military occupation..." does he include the indigenous Turkish population of Cyprus in his statement? I am afraid that the rights and interests of the Turkish-Cypriots were not considered when these statements were made. American policies and attitudes regarding Cyprus have been misguided and misdirected by the existence of a strong, well organized and effective ethnic lobby. I believe that by promoting the "united Cyrpus" myth, the Greek American lobby has done a disservice to this country and has sacrificed American national interest on the altar of ethnicity. In his recent and most thoughtful book entitled Ancient Affections, Laurence Halley observed:

> Among the several definitions sociologists give to their newly minted-and characteristically ugly-word "ethnicity," the Greek-American campaign of 1974 is clearly an example of ethnicity-as-force: the phenomenon whereby an ethnic group mobilizes for a common purpose in defiance of their governement's plea to consider the interests of the nation as a whole. To some, for instancce, this is as it was to Woodrow Wilson, an outrage to the established principles of democratic government. To others, it s merely an example

> of the ineradicable right of citizens in a democratic society to band together to influence the policy of the government. There has been some tendency to gloss over this question in such retrospective studies as exist on Greek-American behavior during the arms embargo debate. Comfort has been taken in such homely thoughts that ethnic agitation is as "American as applie pie" which adds a refreshing dash of culinary chauvinism to the mix. But the question with its civic, not to mention moral, dimensions is in fact the crucial one...

I sincerely believe that a close examination of the history of Cyprus since 1974 and the new Constitution of the Turkish Republic of Northern Cyprus will convince the Congress that punishing Turkey for its actions on Cyprus and its support for the Turkish Republic of Northern Cyprus by withholding or reducing American economic and military assistance is, at best, unwise, unjust and contrary to our nations interests in maintaining close and harmonious relations with a key NATO ally.

It is interesting to note that in the Department of State report to Congress on Human Rights practices for 1985 it was reported that,

> The political systems of the Republic of Cyprus and the Turkish Cypriot Administration are democratic and based on free elections, and they guarantee basic human rights to the poplulations in theory and practice.

The United States must recognize that democracy is alive and well in Northern Cyprus and that peace has been reigned since 1974. American policies should take into account the true facts of Cypriot history and the political realities created thereby. To be true to our ideals we should and must suuport democratic and constitutional governments freely choosen by their citizens throughout the world.

Respectfully Submitted,

JOSEPH D. YOUSSOUF

Dated: April 10th, 1986

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

ORHAN H. SULEIMAN, PRESIDENT, THE MARYLAND AMERICAN TURKISH ASSOCIATION

Mr. OBEY. Next, Mr. Orhan H. Suleiman, President, The Maryland American Turkish Association.

Mr. SULEIMAN. Needless to say, Mr. Chairman, I think this is an honor and privilege, and for the sake of everybody here, I will move right into my prepared text.

One of the annual stumbling blocks, it seems, regarding aid to Turkey, is the Cyprus question. Turkey is always portrayed as having imposed its will upon a defenseless Cyprus. My faith in the Greek lobby has been reinforced once more by Mr. Manatos and Mr. Lomis' comments previous to mine.

The Cyprus problem did not begin with Turkey's intervention in 1974, for Turkish Cypriots it marked the end of the problem. Let me recount my own personal experiences, hoping it will provide you with some insight.

As a youth, at the age of ten, I lived in the village of Lefkara near Larnaca, Cyprus for a two year period. This is 1958 to 1959. Born in America, I experienced the pre-independence days of the Republic of Cyprus, another British colony about to be granted independence. No euphoria here, but terrorism as we know it today; bombs exploding; people being killed.

This independent Republic of Cyprus was doomed from the beginning, not because a delicate constitution had been established based upon a novel concept of bicommunalism between the Greek and Turkish communities, not because this constitution guaranteed an ethnic Greek president, an ethnic Turkish vice-president, not because both Greece and Turkey were allowed to maintain military troops on the island to protect their respective peoples, but because the Greek Cypriots never intended for Cyprus to remain independent.

The Greek Cypriots did not act in good faith. The claim for Enosis, union with Greece, was, is, and as far as Turks are concerned today, will always remain an objective for the Greek Cypriots. Why should the Turkish Cypriots suspect otherwise?

Three years after independence, three quick years, we have Cyprus' first president, Makarios, an Archbishop in the Greek Orthodox Church, proposing 13 amendments to this constitution. Thirteen amendments, not the Bill of Rights, but the Bill of Death, which were legally rejected by the Turkish Cypriots, but ultimately precipitated the crisis which you know as Cyprus. There was no good faith then, and you wonder why Turks today question the intent of the Greek Cypriots today.

Lefkara was a mixed village. It had Greeks who were in the majority and approximately 400 Turks. The Cypriots were Greek and Turkish first, Cypriots second. Cypriots don't live on Cyprus.

Greeks and Turks do. They always did. Cyprus belonged to Turkey from 1571 to 1878, leasing it to the British and ultimately losing it outright when the British declared war on Turkey in World War I.

After I returned to the U.S. with my family, independence was granted in 1960. In 1963, the Turkish villagers of Lefkara left in mass exodus. 361 Turks from the village of Pano Lefkara became refugees in the all Turkish village of Gecitkale or Kophinou. This was not an isolated event but an event that was occurring over the entire island. The Greeks had started a campaign of systematic terror and murder, genocide, if you will. This was December, 1963, 11 years before Turkey eventually acted. The intervening 11 years were hell for Turkish Cypriots.

In 1967, my grandmother, Meyrem Suleyman, among others, was killed when the Greeks surrounded the village and attacked. Once again, Turkey threatened to intervene, as was her right, once again U.S. pressure prevented her. From 1967 until 1974, the Greeks became more sophisticated. They would do economically what they had failed to do by force, strangle and eliminate the Turkish community from Cyprus. I was convinced of this and quite saddened by what seemed inevitable to me.

During the years since independence, the Greeks controlled everything. I remember visiting Cyprus in 1973. Highways and the airport had English and Greek signs but nothing in Turkish. My sister and I spoke Turkish, only to be denigrated by the Greeks, as if Turkish were some sort of profanity. Discrimination was rampant. To this day, my empathy for the American civil rights movement traces back to that experience. I learned what it was like to be treated as a second class without any recourse. Turkish cabs were not allowed at the airport. Greeks would not drive passengers to Turkish destinations.

The economic boycott was complete. I remember discovering, to my surprise, that my Greek cab driver was really Turkish, "if they knew I was Turkish, I wouldn't be allowed to pick up passengers at the airport."

I will spare you the details of the events in 1974 leading to Turkey's legal intervention on behalf of the endangered Turkish Cypriots, but I recall observing that Turkey went to great efforts to convince Britain, a fellow guarantor, to intervene with her, to convince the Greek Junta to withdraw, to investigate any and all options before resorting to her last remaining one.

For Turkey not to have acted then would have abrogated her responsibility to the Turkish community of Cyprus. There is no Turk living today that does not believe that if Turkey had not intervened, it would have been the beginning of the end of the Turkish community on Cyprus. The subsequent arms embargo against Turkey would be analogous to a lifeguard after rescuing a drowning child, being accused of rape.

Back to the refugees from Lefkara, who went to Kophinou in 1963 and yes, now to the North in 1974, to Cayirova, north of Famagusta. They and the victims preceding them are the real victims of Cyprus. Even in 1974, my wife's relatives lived in the village of Tokhni, another mixed village in the South. When the fighting broke out, the Greeks approached the Turkish villages and said "we have lived together all this time, put down your arms and let

Turkey and Greece do the fighting." Unlike the Turks of Lefkara, the Turks of Tokhni believed them. They were massacred. Today the resettled village in the North is known as "The Widows Village."

You wonder why there is so much distrust of the Greeks? When I last visited Cyprus in 1980, I asked my aunt if it was worth it, the stress, the relocations, the loss of one's native village, the hardships. Her sincere reply was "It's been hard but we have peace of mind, we don't fear for our lives any more. I prefer this." The Turkish Armed Forces protect the Turkish Cypriots as American forces protect our European allies.

This feeling is very deep in Turks today. Please do not underestimate it. The events of the last dozen years must be placed in historical perspective. They are really events transcending a much longer period of time. The Turks are honorable people, as anyone knows who has dealt with them.

I find it ironic that Turks, who historically as the Ottomans, allowed ethnic people to maintain the culture, their religion, their ethnic identities, today are victims of descendants of these very people. If the Turks had been the true barbarians that the Christian West has portrayed them as, then they would have assimilated these people, culture, religion, language and all.

The establishment of the Turkish Republic of Northern Cyprus was an effort to force some sort of dialogue between the two communities. This declaration was followed by a series of proximity talks between the two communities conducted by the United Nations. These efforts may yet succeed. The Turkish Cypriots could simply have chosen to wait this crisis out, if their true intent was to establish a separate nation. Instead, they have demonstrated their willingness to settle the problem through negotiations.

A recent article in the Washington Times of March 27, 1986, was headlined "Visit to a Cypriot Country that Doesn't Exist." The author of that article was apparently impressed by the fact that "not one person has been killed" since 1974. Northern Cyprus does exist and the Turkish Cypriots will not disappear.

The Greeks continue to take a hard line stand against the Turkish Cypriots, surprisingly, and this is what bothers a lot of Turks today, the Greeks do not acknowledge even today their past wrongs, insisting naively that Turkey must withdraw their troops first as part of any settlement.

Turkey will withdraw in due time, only when sufficient protection is provided for the Turkish Cypriots. For the Greek Cypriots to even consider such a proposal is insulting, unrealistic, and demonstrates an attitude that begs further analysis and must arouse suspicion.

The Republic of Turkey, a trusted and loyal American ally, has simply stood by her word. She protects and will continue to protect the Turkish Cypriots from a repetition of past events. There is ample justification for her position.

Thank you.

[The prepared statement of Orhan H. Suleiman follows:]

TESTIMONY OF

ORHAN H. SULEIMAN

BEFORE THE

FOREIGN OPERATIONS SUBCOMMITTEE

OF THE

HOUSE APPROPRIATIONS COMMITTEE

APRIL 10, 1986

Mr. Chairman and Members of the Subcommittee,

On behalf of the Assembly of Turkish American Associations, the Maryland American Turkish Association, and Turkish Cypriots in this country, thank you. It is indeed an honor and a privilege to have this opportunity to present to you a perspective that has been given far too little attention.

One of the annual stumbling blocks, it seems, regarding aid to Turkey is the Cyprus question. Turkey is always portrayed as having imposed its will upon a defenseless Cyprus.

The Cyprus problem did not begin with Turkey's intervention in 1974, for Turkish Cypriots it marked the end of the problem. Let me recount my own personal experiences, hoping it will provide you with some insight.

As a youth, at the age of 10, I lived in the village of Lefkara near Larnaca, Cyprus for a two year period (1958-1959). Born in America, I experienced the pre-independence days of the Republic of Cyprus, another British colony about to be granted independence. No euphoria here- but terrorism as we know it today, bombs exploding, people being killed. This independent Republic of Cyprus was doomed from the beginning. Not because a delicate constitution had been established based upon the novel concept of bicommunalism between the Greek and Turkish communities, not because this constitution guaranteed an ethnic Greek president, an ethnic Turkish vice-president, not because both Greece and Turkey were allowed to maintain military troops on the island to protect their respective peoples, but because the Greek Cypriots never intended for Cyprus to remain independent! The Greek Cypriots did not act in good faith! The claim for Enosis, union with Greece, was- is- and, as far as Turks are concerned, will always remain an objective for the Greek Cypriots, until convinced otherwise! Why should the Turkish Cypriots suspect otherwise. Three years after independence, we have Cyprus' first president- Makarios- an Archbishop in the Greek Orthodox church, proposing thirteen amendments to this constitution! Thirteen amendments, not the Bill of

Rights- but The Bill of Death, which were legally rejected by the Turkish Cypriots, but ultimately precipitated the crisis which you know as Cyprus! There was no good faith then- and you wonder why Turks today question the intent of the Greek Cypriots today!

Lefkara was a mixed village, it had Greeks- who were in the majority, and approximately 400 Turks. The Cypriots were Greek and Turkish first, Cypriot second. Cypriots don't live on Cyprus, Greeks and Turks do! They always did. Cyprus belonged to Turkey from 1571 to 1878, leasing it to the British, and ultimately losing it outright when the British declared war on Turkey in World War I.

After I returned to the U.S. with my family, independence was granted in 1960. Then, in 1963 the Turkish villagers of Lefkara left in mass exodus. 361 Turks from the village of Pano Lefkara became refugees in the all Turkish village of Gecitkale (Kophinou). This was not an isolated event but occuring over the entire island- the Greeks had started a campaign of systematic terror and murder- genocide if you will! This was December, 1963, eleven years before Turkey eventually acted! The intervening eleven years were Hell for Turkish Cypriots.

In 1967 my grandmother, Meyrem Suleyman, was killed when the Greeks surrounded the village and attacked. Once again Turkey threatened to intervene, as was her right, once again U.S. pressure prevented her. From 1967 until 1974 The Greeks became more sophisticated- they would do economically what they had failed to do by force- strangle and eliminate the Turkish community from Cyprus. I was convinced of this- and quite saddened by what seemed inevitable.

During the years since independence the Greeks controlled everything. I remember visiting Cyprus in 1973. Highways and the airport had English and Greek signs, but nothing in Turkish. My sister and I spoke Turkish, only to be denigrated by the Greeks, as if Turkish were some sort of profanity! Discrimination was rampant. To this day, my empathy for the American civil rights movement traces back to that experience. I learned what it was like to be treated as a second class individual, without any recourse! Turkish cabs were not allowed at the airport, and Greeks would not drive passengers to Turkish destinations. The economic boycott was complete. I remember discovering that my "Greek" cab driver was really Turkish- "if they knew I was [redacted] Turkish I wouldn't be allowed to pickup passengers at the airport".

I'll spare you the details of the events in 1974 leading to Turkey's legal intervention on behalf of the endangered Turkish Cypriots, but I recall observing that Turkey went to great efforts to convince Britain, a fellow guarantor, to intervene with her, to convince the Greek Junta to withdraw, to investigate any and all options before resorting to her last remaining one! For Turkey not to have acted then would have abrogated her responsibility to the Turkish community of Cyprus. There is no Turk living today that does not believe that if Turkey had not intervened it would have been the beginning of the end of the Turkish community on Cyprus. The subsequent Arms Embargo against Turkey would be analogous to a lifeguard, after rescuing a drowning child, being accused of rape!

But- back to the refugees from Lefkara, who went to Kophinou in 1963, and yes- now to the North in 1974, to Cayirova- north of Famagusta, they and the victims preceding them are the real victims of Cyprus. Even in 1974, my wife's relatives lived in the village of Tokhni, another mixed village in the south. When the fighting broke out the Greeks approached the Turkish villagers and said, "we've lived together all this time, put down your arms and let Turkey and Greece do the fighting". Unlike the Turks of Lefkara, the Turks of Tokhni believed them. They were massacred! Today the resettled village in the north is known as "The Widows' Village". And you wonder why there is so much distrust of the Greeks! When I last visited Cyprus in 1980- I asked my aunt if it was worth it, the stress, the relocations, the loss of one's native village, the hardship. Her sincere reply: "It's been hard, but we have peace of mind. We don't fear for our lives anymore. I prefer this." The Turkish armed forces protect the Turkish Cypriots as American forces protect our European allies.

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The Republic of Turkey, a trusted and loyal American ally, has simply stood by her word. She protects and will continue to protect the Turkish Cypriots from a repetition of past events. There is ample justification for her position.

Mr. **Obey**. Thank you very much. Mr. McHugh?

Mr. **McHugh**. Thank you very much, Mr. Chairman. I would simply note that this is an example of where I wish we had more time. It is obviously an issue of real importance for the United States. I think all of our witnesses are very patient in bearing with us with our constraints in time. I am sorry we cannot delve into more of these issues.

Mr. **Suleiman**. Thank you very much for the opportunity to present some of the past history.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

THE HONORABLE TONY P. HALL, REPRESENTATIVE IN CONGRESS FROM THE THIRD DISTRICT OF THE STATE OF OHIO

Mr. **Obey**. And now we have the Honorable Tony P. Hall of Ohio. Welcome, Tony.

Mr. **Hall**. Thank you, Mr. Chairman.

I have a statement and I will not read it. If I may, I would like to touch on just a few points as I go through it very quickly.

I thank you for taking me out of order. I feel as I look at you, Mr. Chairman and Mr. McHugh, that I am pretty much talking to the choir when I talk about this particular issue, something that is very dear to my heart and dear to your heart, immunization.

I am pleased to be here. I, along with 153 members of the House, have joined in support of H.R. 3894. It is a bill to increase funding in the Child Survival Fund by $50 million for child immunization efforts.

Every year in the developing world, as you know, approximately $3.5 million children die of six dreaded diseases, and those diseases are whooping cough, diphtheria, tetanus, measles, polio and tuberculosis. Another 3.5 million become impaired mentally and physically as a result of these six diseases.

As we know, these tragedies need not occur. Vaccines to prevent this are available and have existed for years, but less than 20 percent of the 90 million children born in developing countries are actually fully immunized against them.

In the United States, deaths from these diseases have been virtually eliminated. We as a nation spend $50 million a year to protect our children against measles, and not only are we protecting our children from illness and death, we actually are saving money, an estimated $500 million a year for averted measles treatment. This benefit/cost ratio of 10 to 1 represents economic benefits that could just as easily be realized in the developing countries.

In the past few years, the World Health Community has been mobilizing to meet the goal of this immunization, a goal that started with UNICEF, and many nations, including the United States, are joining in this effort. Italy has committed $100 million, Canada has promised $25 million, Spain has promised $10 million. Some of the private groups have made significant contributions. The Rotary International is committing $120 million for this immunization effort all over the world just for the disease of polio. Another example, Live Aid is committing $3 million.

The United States Government can be proud of its involvement. As a result of the efforts of the U.S. Department of State and AID and mostly really the efforts of you two gentlemen and other people in Congress, this has become a reality: $21 million in 1985 for immunization programs, $22 million for research in immunization. Already plans are under way to greatly expand this program in 1986.

UNICEF estimates that the total cost of universal child immunization would be $4 billion to $5 billion over the next five years. Now, as developing countries themselves contribute on the average of 80 percent of this cost, approximately $1.2 billion would be required as international aid, so given current international aid donations already, the ones that I mentioned from the United States, Italy, Canada, et cetera, they believe over the next five years internationally we are going to need an extra $150 million to $200 million per year.

I am aware of the strains on your budget. I am also aware that this is a priority and has been a priority in your minds. I know that you will make the right decision, and I can't think of anything more important, as far as I am concerned, anything more important than saving the potential lives of 3.5 million children and preventing another 3.5 or 4 million children from being permanently physically impaired.

I also would like to briefly mention Vitamin A. You have been really great supporters of Vitamin A, and your support of $8 million for this program last year has resulted in greatly expanded programs to protect millions of children worldwide, and I just ask you to keep your eye on that, and hopefully you will be as supportive of that as you have been in the past.

I just appreciate your interest and efforts, and hopefully this will be a priority before this year is out in supporting this program for the next five years.

[The prepared statement of Tony Hall follows:]

REPRESENTATIVE TONY HALL
BEFORE THE FOREIGN OPERATIONS SUBCOMMITTEE OF THE APPROPRIATIONS COMMITTEE

H. R. 3894 - UNIVERSAL CHILD IMMUNIZATION BILL

APRIL 10, 1986

GOOD MORNING. I AM PLEASED TO BE HERE TO ADDRESS THE ISSUE OF IMMUNIZING THE WORLD'S CHILDREN BY 1990. I, ALONG WITH 153 MEMBERS OF THE HOUSE, HAVE JOINED IN SUPPORT OF H. R. 3894, A BILL TO INCREASE FUNDING IN THE CHILD SURVIVAL FUND BY $50 MILLION FOR CHILD IMMUNIZATION EFFORTS.

EVERY YEAR IN THE DEVELOPING WORLD, THREE AND A HALF MILLION CHILDREN DIE AND A COMPARABLE NUMBER ARE PERMANENTLY DISABLED BY THE SIX MAJOR CHILDHOOD DISEASES; WHOOPING COUGH, DIPHTHERIA, TETANUS, MEASLES, POLIO AND TUBERCULOSIS. THIS MEANS THAT EVERY MINUTE OF EVERY DAY, 8 CHILDREN DIE AND 10 MORE ARE HANDICAPPED FROM THE EFFECTS OF IMMUNIZABLE DISEASES.

THESE TRAGEDIES NEED NOT OCCUR. VACCINES TO PREVENT THESE SIX DISEASES WHICH KILL AND CRIPPLE CHILDREN HAVE EXISTED FOR YEARS. BUT LESS THAN 20 PERCENT OF THE 90 MILLION CHILDREN BORN IN DEVELOPING COUNTRIES EACH YEAR ARE FULLY IMMUNIZED AGAINST THEM.

TEN YEARS AGO THE INTERNATIONAL HEALTH COMMUNITY SET THE GOAL OF IMMUNIZING ALL THE WORLD'S CHILDREN AGAINST THESE SIX DISEASES OF CHILDREN. SIGNIFICANT PROGRESS HAS CLEARLY BEEN MADE. THE ESTIMATED NUMBER OF CHILDREN WHO DIE ANNUALLY HAS DECREASED FROM 5 MILLION TO 3.5 MILLION, LARGELY BECAUSE OF INCREASED IMMUNIZATION PROGRAM COVERAGE. HOWEVER, THIS IS STILL AN ENORMOUS NUMBER OF CHILDREN WHO DIE EVERY YEAR FROM EASILY PREVENTABLE DISEASES.

IN THE UNITED STATES, DEATHS FROM THESE DISEASES HAS BEEN VIRTUALLY ELIMINATED. WE AS A NATION SPEND $50 MILLION A YEAR TO PROTECT OUR CHILDREN AGAINST MEASLES. NOT ONLY ARE WE PROTECTING OUR CHILDREN FROM ILLNESS AND DEATH, HOWEVER, WE ARE ACTUALLY SAVING MONEY--AN ESTIMATED $500 MILLION A YEAR FOR AVERTED MEASLES TREATMENT. THIS COST:BENEFIT RATIO OF 1:10 REPRESENTS ECONOMIC BENEFITS WHICH COULD JUST AS EASILY BE REALIZED IN DEVELOPING COUNTRIES. IN FACT, DR. FOEGE, HEAD OF THE INTERNATIONAL TASK FORCE ON CHILD SURVIVAL, ESTIMATES THAT THE RETURN ON SUCH AN INVESTMENT IN THE DEVELOPING WORLD, WHERE 2 MILLION CHILDREN DIE EVERY YEAR FROM MEASLES, COULD BE DOUBLE THE RETURN IN THE UNITED STATES.

THESE REASONS SHOULD BE ENOUGH TO MOBILIZE THE ENTIRE WORLD COMMUNITY TO SUPPORT UNIVERSAL CHILD IMMUNIZATION. NOT ONLY ARE THE HUMANITARIAN GOALS OF SAVING LIVES AND PREVENTING CRIPPLING ILLNESSES PARAMOUNT, BUT THERE WOULD ALSO RESULT SIGNIFICANT ECONOMIC GAINS FOR THE DEVELOPING AND INDUSTRIALIZED NATIONS

THEMSELVES.

ONE SHINING EXAMPLE OF SUCCESS FROM SUCH GLOBAL COOPERATION ALREADY EXISTS. IN 1967, 2 MILLION PEOPLE DIED FRON SMALLPOX. IN 1977, SMALLPOX WAS ELIMINATED. THE UNITED STATES CONTRIBUTED $32 MILLION TO THE GLOBAL SMALLPOX ERADICATION PROGRAM, AND IS CURRENTLY SAVING $120 MILLION A YEAR FROM THE DISCONTINUATION OF SMALLPOX VACCINATIONS AND DISMANTLING OF SMALLPOX SURVEILLANCE SYSTEMS. THUS EVERY FEW MONTHS THE UNITED STATES IS SAVING MORE THAN THE TOTAL AMOUNT IT INVESTED IN ERADICATING THIS ONE DISEASE.

IN THE PAST FEW YEARS, THE WORLD HEALTH COMMUNITY HAS BEEN MOBILIZING TO MEET THE GOAL OF UNIVERSAL CHILD IMMUNIZATION BY 1990. MANY NATIONS, INCLUDING THE UNITED STATES, ARE JOINING IN THIS GLOBAL EFFORT. ITALY RECENTLY COMMITTED $100 MILLION FOR IMMUNIZATION PROGRAMS "TO SAVE THE LIVES OF ONE MILLION CHILDREN." CANADA HAS PROMISED $25 MILLION FOR IMMUNIZATIONS IN COMMONWEALTH COUNTRIES, AND SPAIN HAS PROMISED $10 MILLION FOR IMMUNIZATION PROGRAMS IN CENTRAL AMERICA.

PRIVATE GROUPS HAVE ALSO STEPPED FORWARD TO MAKE SIGNIFICANT CONTRIBUTIONS TO THIS GLOBAL PROGRAM. ONE PARTICULARLY NOTEWORTHY EXAMPLE IS THE COMMITMENT OF THE ONE MILLION MEMBERS OF ROTARY INTERNATIONAL TO PAY FOR ALL THE VACCINES REQUIRED FOR POLIO IMMUNIZATION CAMPAIGNS IN DEVELOPING COUNTRIES. THIS CONTRIBUTION COULD BE IN THE REGION OF $120 MILLION, AND COULD

PREVENT 1 MILLION CASES OF PARALYTIC POLIO. ANOTHER EXAMPLE IS THE RECENT COMMITMENT BY LIVE AID, THE FOUNDATION CREATED BY CELEBRITIES TO ALLEVIATE FAMINE CONDITIONS IN AFRICA, OF $3 MILLION TO UNICEF FOR THEIR AFRICAN IMMUNIZATION PROGRAMS.

THE UNITED STATES GOVERNMENT CAN BE PROUD OF ITS INVOLVEMENT IN GLOBAL IMMUNIZATION PROGRAMS. A.I.D. SPENT $21 MILLION IN 1985 FOR IMMUNIZATION PROGRAMS, AND $22 MILLION FOR IMMUNIZATION RESEARCH ESSENTIAL TO IMPROVING PROGRAMS. ALREADY PLANS ARE UNDERWAY TO GREATLY EXPAND THESE PROGRAMS IN 1986. HOWEVER, IF THE 1990 GOAL OF UNIVERSAL CHILD IMMUNIZATIONS IS TO BE ACHIEVED, EVEN MORE RESOURCES ARE NEEDED.

UNICEF ESTIMATES THAT THE TOTAL COST OF UNIVERSAL CHILD IMMUNIZATIONS WOULD BE $4-5 BILLION OVER THE NEXT 5 YEARS. AS THE DEVELOPING COUNTRIES THEMSELVES CONTRIBUTE, ON THE AVERAGE, 80% OF THE TOTAL COST, APPROXIMATELY $1.2 BILLION WOULD BE REQUIRED AS INTERNATIONAL AID. GIVEN CURRENT INTERNATIONAL AID COMMITMENTS, ADDITIONAL RESOURCES NEEDED WOULD EQUAL $150-$200 MILLION PER YEAR.

AS YOU KNOW, THE HOUSE APPROVED HOUSE CONCURRENT RESOLUTION 211 IN DECEMBER, DIRECTING A.I.D. TO WORK WITH THE CENTER FOR DISEASE CONTROL AND OTHER APPROPRIATE FEDERAL AGENCIES TO SUPPORT GLOBAL IMMUNIZATION EFFORTS. H. R. 3894, BY INCREASING FUNDING FOR THE IMMUNIZATION PROGRAMS, IS A LOGICAL NEXT STEP IN OUR NATIONAL COMMITMENT TO SUPPORT UNIVERSAL CHILD IMMUNIZATIONS.

TO DATE, 153 MEMBERS OF THE HOUSE AND 33 MEMBERS OF THE SENATE CONCUR IN SUPPORTING THIS GOAL BY COSPONSORSHIP OF H.R. 3894 AND COMPANION LEGISLATION INTRODUCED BY SENATOR BRADLEY, S. 1917. YOUR SUPPORT OF H. CON. RES. 211, MR. CHAIRMAN, WAS GREATLY APPRECIATED, AND I LOOK FORWARD TO YOUR CONSIDERATION OF THIS FUNDING MEASURE.

I AM AWARE OF THE STRAIN ON INCREASING PROGRAMS AT THIS TIME BECAUSE OF DEFICIT PRESSURES ON THE BUDGET. THIS $50 MILLION INCREASE FOR IMMUNIZATIONS COULD BE FUNDED BY A MERE 1% REDUCTION IN FOREIGN MILITARY AND SECURITY ASSISTANCE TO ALL COUNTRIES EXCEPT ISRAEL AND EGYPT. PROVIDING CHILDREN WITH THE OPPORTUNITY TO LEAD A PRODUCTIVE LIFE WILL CONTRIBUTE AS MUCH TO ECONOMIC GROWTH AND WORLD SECURITY AS ANY OTHER MEASURE. PROTECTING CHILDREN AGAINST KILLING AND CRIPPLING DISEASE SHOULD BE AMONG THE HIGHEST PRIORITIES OF OUR FOREIGN AID PROGRAM.

ANOTHER EXCITING CHILD SURVIVAL PROGRAM IS THE VITAMIN A EFFORT, CONDUCTED BY THE NUTRITION OFFICE AT A.I.D. YOUR SUPPORT OF $8 MILLION FOR THIS PROGRAM LAST YEAR, MR. CHAIRMAN, HAS RESULTED IN GREATLY EXPANDED PROGRAMS TO PROTECT MILLIONS OF CHILDREN WORLDWIDE FROM VITAMIN A DEFICIENCY BLINDNESS. AND, IF THE ONE-THIRD REDUCTION IN CHILD DEATHS FROM VITAMIN A THERAPY FOUND IN INDONESIA LAST YEAR CAN BE REPEATED IN OTHER COUNTRIES, THE VITAMIN A PROGRAM WILL PROVE TO BE YET ANOTHER ASTONISHINGLY INEXPENSIVE AND EFFECTIVE TOOL FOR CHILD HEALTH AND SURVIVAL.

I APPRECIATE YOUR SUPPORT AND INTEREST, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, AND HOPE TO WORK WITH YOU TO CONTINUE U. S. SUPPORT FOR THESE VITAL AND LIFE-GIVING EFFORTS IN THE COMING YEAR.

UNIVERSAL CHILD IMMUNIZATION BILL
H. R. 3894

Ackerman
Akaka
Applegate
Atkins
Anderson

Barnes
Berman
Bereuter
Bonker
Bates
Boxer
Badham
Burton (CA)
Bonior
Breaux
Boehlert
Bedell
Brown (CA)
Biaggi
Boland
Bustamante
Boner
Bedell
Beilenson
Boggs
Bryant
Conte
Clay
Chandler
Coyne
Crockett
Chappell

Dornan
Dymally
Donnelly
Downey
Dorgan
Dellums
DeWine
Daschle

Edgar
Evans (IL)
Edwards (CA)

Frank
Fauntroy
Fish
Foglietta
Fuqua
Fazio

Gilman
Gedjenson
Gray
Gallo
Garcia

Hall(OH)
Heftel
Hoyer
Hamilton
Hayes
Hertel
Horton
Howard
Jeffords
Jones (OK)

Kostmayer
Kaptur
Kolbe
Kolter
Kildee
Kastenmeier

Leland
Lagomarsino
Leach
Long
Lowry
Lewis (CA)
Lundine
Levine
LaFalce
Lantos
Lowery
Lloyd

Markey
Mineta
Manton
Morrison (CT)
Moorhead
Matsui
Mitchell
Mrazek
Moakley
McCloskey
Miller (CA)
Mikulski
McHugh
Mollohan
Moody
McDade
Miller (WA)
Martinez
MacKay
Mica

Neal

Ortiz
Owens
Oberstar

Panetta
Penny

Quillen

Roukema
Rodino
Roe
Roybal
Robinson
Rose
Rahall

Smith (NJ)
Seiberling
Swift
Stokes
Schumer
Shaw
Studds
Stallings
Synar
Sabo
Stark
Solarz
Schroeder
Stangeland
Siljander
Sikorski

Torres
Traxler
Towns
Torricelli
Tallon

Udall

VanderJagt
Vento

Whitehurst
Williams
Wright
Weiss
Waxman
Wolf
Wheat
Wolpe
Wirth
Wortley

Yatron
Yates

Mr. OBEY. Thank you. We appreciate your interest and efforts also. I can't help but think, when you raise this, of a former colleague of mine, old Ben Riddley, who used to serve the rural part of Madison County when I served the urban part in the legislature before I came here, and I remember him speaking to an education group one night, and he said: I may not have supported every dime you ever wanted, but I supported every dime you ever got. [Laughter.]

Mr. HALL. I'm not quite sure what to say about that. [Laughter.]

Mr. OBEY. Obviously, if I had my way and, I think, if Mr. McHugh had his way, we would move a third of this bill over into humanitarian areas from where it is today. At least last year we were able to turn the direction of the runaway train somewhat in favor of military as opposed to economic and humanitarian assistance.

I will just repeat what we have said privately, that we would like to do all we can in this area, but we are really in a mess unless we get a grand compromise, so I would urge you to communicate to the members of your committee on both sides of the aisle that if they would like themselves, and if they would like us, to be able to take the political credit for supporting programs like this, they have to be prepared to take the political heat for paying for them because, unfortunately, there isn't any free lunch, and not even for kids who are starving to death or for kids who are sick.

But I appreciate your concern, and we will try to do everything we can and simply hope that we get a budget compromise that will represent some kind of sane economic, as well as moral, judgment.

Mr. HALL. I hope so, too, Mr. Chairman. As I look at the co-sponsors on this bill, there are people all over the ballpark relative to their political philosophy, and this is the one issue, as I have addressed it in the last six or seven years, that really doesn't have anything to do with politics.

People have supported this, and I realize I am asking for more money at a very tough time, but I just have to believe that in people's minds, if there is anything that they really would like to support, to increase, it would be this. I know that you have it in your mind, I know it is a priority in your mind, and I just want to keep it there. I know you will do the best you can.

Mr. OBEY. Thank you.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESSES

HAROLD P. BRADLEY, S.J., GEORGETOWN UNIVERSITY

WILLIAM L. GEORGE, S.J., GEORGETOWN UNIVERSITY

Mr. OBEY. Next we have from Georgetown University, Father Harold Bradley and William George.

Reverend BRADLEY. Thank you, Mr. Chairman.

As you know, I am accompanied by Father William George, who is a special assistant to the president at Georgetown University.

We want to thank the committee for its support for three programs and, of course, suggest that we would appreciate continuing support. The first is our Central American Scholarships Program, which is part of the AID Kissinger Peace Scholarships Program.

By September, we will have brought 360 students up on our part of this program. Thirty-two of them have already come for six months training and gone home. By September we will have them in eleven community colleges around the United States. This is spelled out in our testimony.

So we are very pleased with the initiative we suggested to you last year of trying to use community colleges to educate these people, and we feel that we have got a good start. As I said, we brought up 75 students in September, and we have lost one. If there is any undergraduate institution in the United States that has the same record, I will be very humble when I tell them how proud I am of them.

So as I say, we would appreciate the committee's support for our request for $4 million more for next year out of those peace scholarship funds to continue what we consider a very cost-effective program at the same level that it was funded last year.

The second thing I would like to thank you for is your support for the Hemisphere Migration Project. This is a project that we have run in cooperation with ISM until now, supported by the Refugee Bureau, to do research on the effect of immigration in sending countries in Latin America. We are convinced that unless we get them involved in the research, unless we get them involved in the discussions, it is our problem and they couldn't care less.

We had a meeting here at the end of January or beginning of February at the capital on international migration. We had 150 senior policy makers, legislators and scholars from 16 countries who came here to discuss this, and we requested last year a three-year program, and we would like to request your support for the continuation of that program. We are asking for about $700,000 to continue it.

Finally, I am pleased to report that last year we asked you to support our University Volunteer Internship Program. This is the program that we have run in Thailand since 1979 where we take fourth-year medical students from Georgetown and Minnesota and SUNY Buffalo to work in the refugee camps. We have sent 213 medical students out there in the years that the program has been going.

It was originally supported by Catholic Relief Services, by Bishop Broderick, who gave us $600,000 for the first four years of the program. The Catholic Relief Services is pulling back their refugee programs and they were unable to continue to support this.

Last year we asked the committee's support for funding from the Refugee Bureau for one year while we found other support. The Refugee Bureau gave us $120,000 to keep the program going for one year, and now we have money from the medical school at the University and money from a foundation to run the program this year without further Federal support. I thought you would be glad to hear that.

We were very lucky. At the very beginning of the program, a man who is now dean of the medical school was one of the senior physicians who went out, so when he became dean of the medical school, we said, well, doctor, aren't you going to support this program that you thought was so important?

Reverend **George**. One of Father Bradley's insights was that to get a physician to a country to see the plight of refugees, you would never get them there as physicians, you had to get them there while they were in medical school. Once you got them there, forever they would know what is really needed. It paid off, at least with our dean, and it may with some of these other young physicians as they get into positions in the world, to appreciate the problem that we are not aware of over here.

Reverend **Bradley**. Last year, eight of these people volunteered to go to the Sudan for a year, that is, people who had been in this program earlier, and then when they finished all their training volunteered to go to the Sudan with IRC for a year.

Mr. **McHugh**. Is it possible to expand the program to other schools? I know it is a major achievement to preserve a program these days, especially with private support, but you mentioned three medical schools. Is it possible to broaden that out over time?

Reverend **Bradley**. Yes. I neglected to mention, but it is in the testimony, we started out at a place called Mon Khai in the north of Thailand. When that was closed down, we moved to Phanat Nikhom. Now our students are working at Site 2, close to Aranyaprathet, which is where these Khmer are who always retreat across the border when the Vietnamese attack.

One reason that I went to bat to keep the program going this year is there is just no limit to the need for these people. So the answer is yes. There are two things. Every time we send six students, we have to send a faculty member because it's part of the education program at Georgetown. It is in the curriculum. It's clerkship and refugee medicine.

Now, everybody wants to send students, and I'm sure 50 percent of all medical students in the country would go if they had the opportunity, but it is pretty tough to get those senior faculty to go. If you can get them to go, it is tough to convince the dean, and if you convince the dean, then what do you do about their wife? I mean imagine. Say he goes home and says: Honey, I'm going to Aranyaprathet for six weeks. It doesn't really go that good.

I want to thank you.

[The prepared statement of Reverend Bradley follows:]

STATEMENT OF

REV. HAROLD BRADLEY, S. J.

SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

SUBCOMMITTEE ON FOREIGN OPERATIONS

COMMITTEE ON APPROPRIATIONS

U. S. HOUSE OF REPRESENTATIVES

April 10, 1986

OFFSET CAMERA COPY

SUBCOMMITTEE ON FOREIGN OPERATIONS
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
April 10, 1986

Mr. Chairman, Members of the Subcommittee:

I am Father Harold Bradley, Special Assistant to the President of Georgetown University, and I want to thank you and the members of this Subcommittee for the opportunity to report to you on programs which Georgetown University is carrying out for the Agency for International Development and the Department of State. I would like to express our appreciation for the support of our work by this Subcommittee.

The Central American Scholarship Program (CASP), although it received its first funding from the Agency for International Development only one year ago, has demonstrated the feasibility of training young Central American students in community colleges and vocational schools. In this one short year, 32 have completed short-term training of six months and have returned home where they are now using their improved skills and knowledge. Forty-one are currently in short term training. One hundred three students are in two-year programs and will be joined by an additional 128 students in September 1986. We will also place 56 new students in six-month training programs in September. We will are realizing the considerable savings we anticipated, which we expect will become even more significant as the program expands and as a student exchange component becomes feasible.

The Hemispheric Migration Project, funded by the Bureau for Refugee Programs, recently completed 16 studies on the impact of refugee and migrant flows on sending countries throughout Latin America and the Caribbean. At an inter-American conference hosted by Georgetown in February, over 150 senior policymakers, legislators and scholars from 16 countries focused on the policy implications of those research findings for foreign assistance programs, refugee programs, and immigration policy. As soon as monies are received for FY86, Georgetown will be commissioning policy-oriented research on four topics which we presented to the Sub-committee last year in our 3-year plan. They are durable solutions to the Central American refugee crisis, the impact of migration on smallholding agriculture in the Caribbean, the effects of development strategies on international migration, and return migration. What we are requesting today, for FY87 is $700,000 for the second year of this 3-year plan. As an example we will concentrate our efforts on the chain of events in the Caribbean Basin in which outmigration has reduced domestic food production, which in turn necessitates increased food imports and causes further strain on the balance of payments. We plan to assess how widespread this downward spiral has been and how it will impact future development in the region.

I would also like to report on the University Volunteer Internship Program (UVIP) which for the past six years has provided medical care to refugees in Thailand through teams of medical students from the consortium of Georgetown University, the State University of New York at Buffalo, and the University of Minnesota. Recently Indiana University joined the consortium. During the recent past the UVIP teams have served at the Phanat Nikhom refugee camp. They have now begun to serve also at Site 2/Aranyaprathet, the border camp near the Thai/Kampuchean border. A grant of $120,000 from the Bureau of Refugee Programs helped continue the program this past year and provided a bridge to the private financing which has been obtained to continue the program until May 1987.

CENTRAL AMERICAN SCHOLARSHIP PROGRAM

The Central American Scholarship Program (CASP) provides an opportunity for underprivileged students from Costa Rica, Guatemala, El Salvador, Honduras, Panama, and Belize to study at community colleges and technical schools in the United States. It is funded by the Agency for International Development (AID) in response to the recommendations of the National Bipartisan Commission on Central America (NBCCA). The students are from low-income groups; they do not speak English (except those from Belize); and they are either studying or currently pursuing a trade or a skill in a technical, agricultural, or industrial field. CASP seeks candidates from among the underprivileged, those who would not have pursued further training in their own country because of inadequate preparation, or those who would not have had the opportunity to study under similar developing training programs in the United States.

Candidates are recruited extensively throughout each country. The Executive Director of CASP travels inland to visit rural schools and to meet with local officials to explain the program which has been previously advertised in the press and on radio and television.

The goal of these scholarships, as expressed in the report of the NBCCA, is "to offer young Central Americans the opportunity to study in the United States, both to improve the range and quality of educational alternatives and to build lasting links between Central America and the United States." Each newly selected CASP student receives an initial letter that outlines not only the technical training offered but adds: "...the program will teach you about institutional structures in the United States and give you the opportunity to study American cultures and values...During your stay we hope that you will interact with many Americans and understand what they think, how they feel, what kind of work they do, and what kind of lifestyle decisions they make. The Americans you meet will want to find out the same things about you..."

The program's long range goal is to determine the effectiveness of using community colleges to offer a combination of academic courses with vocational training for underprivileged students from Central America and, eventually, to establish an exchange program between community colleges and Central American institutions which will lower the cost to the United States Government of scholarships for these students. The experience which Georgetown University has acquired over the past six years in administering the International Student Exchange Program (ISEP) is being used to develop the CASP network.

The program's short range goals are to prepare students for immediate employment in their own countries and to assist in furthering their careers by offering instruction in fields which are of personal interest to the participants as well as necessary to development in their countries.

These goals are to be achieved through long-term and short-term training. Long-term participants are selected from among students currently enrolled in public, industrial, and agricultural high schools. After two years of training, these participants will receive an Associate Degree or a certificate of studies dependent upon successful completion of their courses. Short-term participants are workers, supervisors, or teachers who are currently employed and whose skills require upgrading. The short-term training will vary from three to six months and include a practical internship if possible.

Upon completion of these programs, two-year participants will return home to employment which has been provisionally arranged, or to complete their education in a university in their own country. Short-term participants will resume employment with the organization which nominated them for the training.

The program began when Georgetown University signed its first cooperative agreement with AID in March 1985. Only one year later, thirty-two Central Americans have completed short-term training of six months each and have returned home where they are now using their improved skills and broader knowledge. 103 students are currently in two year programs, and forty-one are in six-month programs. In September 1986 an additional 128 students will arrive for two-year academic-technical programs and 56 employed workers will be placed in six month training programs to upgrade their skills.

The high degree of cooperation we have received from the participating community colleges and technical schools and the experience Georgetown University had acquired earlier in administering the ISEP network have made this very short turn-around time possible. The institutions now participating and those that will participate in September 1986 are: Kirkwood Commnity College, Cedar Rapids, Iowa; Coffeyville Community College, Coffeyville, Kansas; Berkshire Community College; Pittsfield, Massachusetts; Altoona Area Vo-Tech School, Altoona, Pennsylvania; Waukesha County Technical Institute, Pewaukee, Wisconsin; University of Wisconsin, Richland Center; El Paso Community College, El Paso, Texas; Tri-County Area Vocational School, Bartlesville, Oklahoma. Fields of study include agriculture and agribusiness, clothing merchandising, computer science, electronics, community health, machine tool operation, quality control, and hospitality management. Additional schools and areas of study are under consideration, as the number of students grows.

Funding is provided by AID under Grant No. LAC-0130-G-SS-5045-00. Four million dollars has been provided by AID and will be augmented by an additional four million dollars this year. Of the eight million dollars, six million will be spent at the participating community college. We have an excellent working relationship with the Agency for International Development in the field and in Washington, and are very pleased to have a part in fostering the kinds of long-term relationships in Central America so important to peace and progress in that area.

We would appreciate the support of the subcommittee for our request for $4,000,000 out of FY87 funds to continue this cost effective program at the same level as last year.

STATEMENT FOR THE RECORD

The Hemispheric Migration Project now sponsored by the Center for Immigration Policy and Refugee Assistance is continuing to conduct academic research on international migration and refugee issues of importance to U.S. and Latin American policy-makers and legislators. As part of a three-year research plan presented to the Sub-committee last year, our request for FY87 of $700,000 represents the second year of study.

The original project funded in FY84 was administered jointly by the Intergovernmental Committee for Migration and Georgetown University. To date, the Hemispheric Migration Project has completed sixteen studies conducted by Latin American and Caribbean researchers. An edited collection of these studies is to be published for wide distribution. Five surveys by eminent scholars in this field have been published that covered major trends in international migration and policy for distinct sub-regions of the Hemisphere.

In addition, the Inter American Conference on Migration Trends and Policies was sponsored by Georgetown University in February 1986. The purpose of the conference was to bring together senior policymakers, legislators and scholars from throughout the Hemisphere to discuss the policy implications of the research a goal Mr. Rodino placed before us when the Hemispheric Migration Project was born. Over 15 countries were represented, and as several researchers indicated, it was a rare opportunity to sit down across from policymakers from other countries to discuss problems and their solutions. Based on this conference and the research presented there, a concise policy analysis was prepared for wide distribution (see Appendix).

The research itself was carried out in the Caribbean, Central America, the Andean region, and the Southern Cone of Latin America. The emphasis shifted in each region depending on the specific migration pattern and national, regional, and U.S. policy interests. To give an example of the findings reported in this first phase, return migration to Colombia was discovered to be much smaller than anticipated by policy-makers and researchers alike. Planners had braced themselves for a massive return of Colombian migrant workers from Venezuela in the wake of an economic recession and high unemployment in the latter country. Receiving "camps" remained almost empty. What HMP researchers discovered was that while Venezuela's oil industry took a downturn affecting urban industry and construction jobs, the devaluation of its currency allowed for a rejuvenation of agriculture and border commerce. Thus, Colombians sought work in the renewed sectors, rather than return to even more acute conditions of unemployment and recession in Colombia.

On refugees, HMP research reported that the frequent failure of refugee self-sufficiency projects in Central America was due in large part to their isolation from the national market and services. What the refugees lacked in technical and managerial skills and knowlege of the market doomed many projects to failure. Rather, the research found that integrating refugee assistance into national and regional development plans would give refugees access to technical assistance and would eliminate unnecessary duplication of funds.

To give one more example of the results of the research conducted under the Hemispheric Migration Project, it was found that middle class, urban, skilled workers are over-represented in international migration flows from the Caribbean. Although it is commonly assumed that itinerant farmworkers and intellectuals constitute the bulk of migrant flows to the U.S., the fact that we now know Caribbean nations are losing substantial numbers of their middle class will have direct impact on their future capability to develop viable, independent economies.

The results of the first round of research which were framed in policy terms for the inter-American conference guided the priorities for the current three-year research plan. As presented for this subcommittee last year, the priority funding areas in the research plan are the following:

1. Durable Solutions for Central American Refugees. Various refugee assistance strategies are to be assessed for their relative effectiveness, economic viability, and potential for resolving the refugee crisis. Having sponsored several country-specific research projects in FY86, we plan to commission studies on the long-term, effects of the crisis for refugee children in FY87. The mental health and

education situations will be stressed in studies that will evaluate existing and needed programs. Both issues have been too often neglected in the overall refugee assistance effort.

2. Future of Smallholding Agriculture in the Caribbean Basin. Faced with high unemployment and severe population pressures, Caribbean workers are increasingly seeking jobs outside their own countries. Where the family plot was once the source for both jobs and food, the rural areas now continue to lose young, able bodies and men leave the women, children and elderly unable to keep up with the demand of the farm. Thus, smallholding agriculture declines, domestic food production declines, food imports increase, and foreign debt payments mount. This cycle of poverty is to be studied comparatively among several Caribbean countries in which the effects of outmigration on agricultural production will be documented. In FY87, the projects will focus at a more macroeconomic level, assessing the impact of food imports on the health and nutrition of poor rural and urban households and on the balance of payments of selected Caribbean countries. Some pilot projects on the decline in smallholding agriculture in Central American countries will also be initiated.

3. The Socioeconomic Impact and Future Contributions of Return Migration. Research on return migration will begin FY87. Relatively little work has been done on this phenomenon, though it has been quite significant in some countries

--in the case of the Dominican Republic, 40 percent of emigrants are estimated to have returned home. The project will commission studies in the Caribbean and Southern Cone to determine the kinds of work returnees engage in; how they invest their savings; whether they gained and are utilizing skills learned abroad; and whether they are creating employment for others upon return. Such information is essential to planners who must take into account the labor needs of the population in setting an appropriate strategy for development. It is imperative to establish socio-economic profiles of returnees in order to then develop programs and policies that will ensure that returnees become agents for development in their own home countries. Potential research sites are Argentina, The Dominican Republic, and Jamaica.

4. Adjustments in Sending Societies to a Reduction in the Foreign Market for Labor. With increased immigration restrictions and economic crisis continuing in many migrant receiving countries, the job alternatives outside the country for potential migrants diminish. The project will commission studies to assess the adjustments made by would-be migrants. For example, do migrant flows continue, but to new destinations? Does the unemployment pressure in cities and border areas cause tremendous growth in the informal sector? And, what impact does this growth of the informal sector have on the domestic economy? For example, we will assess the capacity of that sector to absorb the surplus labor and provide for the basic income needs of the poor.

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THE UNIVERSITY VOLUNTEER INTERNSHIP PROGRAM

December 1985 marked the sixth anniversary of the University Volunteer Internship Program (UVIP). Under the UVIP, fourth year medical students are directly exposed in an overseas setting to the principles and practices of refugee medicine under the guidance of senior faculty drawn from a consortium of medical schools. The consortium is made up of Georgetown University, the State University of New York at Buffalo, the University of Minnesota, and Indiana University, a recent addition. The program is coordinated by Georgetown's Center for Immigration Policy and Refugee Assistance (CIPRA), in collaboration with the Catholic Organization for Emergency Relief and Refugees (COERR) in Thailand. The UVIP was begun in 1979 with $600,000 dollars provided by Bishop Edmund Broderick, former director of Catholic Relief Services, part of the U. S. Catholic Conference (USCC). A grant of $120,000 from the Bureau for Refugee Programs, Department of State, helped to continue the program during the past year. By so doing, it provided a needed bridge until alternate private financing could be obtained to supplement the contributions of the universities and the participants themselves. Such private financing was recently obtained for operations through May, 1987.

Regularly scheduled teams are assigned to posts in COERR-sponsored refugee camps in Thailand. Each team is composed of three to six medical students, a senior resident and a senior faculty member. Recently, UVIP teams have served at the Phanat Nikhom refugee camp. They have now begun to serve also at Site 2/Aranyaprathet, a border camp of approximately 130,000 refugees. For the next year, teams will serve in both camps.

The program has two objectives: first, to provide needed medical relief to refugees streaming into Thailand from Cambodia, Vietnam, and Laos; and second, to develop a corps of health professionals with special skills, experience and interest in delivering medical services to refugee populations or to other peoples worldwide in times of natural or other disasters.

Since the program's inception in 1979, 213 medical students, 8 dental students, 55 nurses, 41 residents, and 37 senior faculty members have participated. Repeated follow-up surveys of the participants indicate that the objective is being met in terms of developing a cadre of health professionals who are highly interested in devoting all or a portion of their medical careers to international health activities. The response to the latest survey (September 1985) was, again, highly positive.

The pool of experienced medical resources was made available for possible use in connection with the crisis in Africa by private and voluntary agencies, such as the International Rescue Committee (IRC) and Catholic Relief Services (CRS). Enhancing the capacity of such organizations to respond to international crises, such as in Africa, underscores the importance of continuing the UVIP.

March 1986

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

HENRY L. WALTHER, PRESIDENT, U.S. DEFENSE COMMITTEE

Mr. OBEY. We will next place the statement of Mr. Henry L. Walther, President, U.S. Defense Committee, into the record.

[The prepared statement of Henry L. Walther follows:]

UNITED STATES
DEFENSE COMMITTEE

Henry L. Walther
President

Statement By

Henry L. Walther
President
United States Defense Committee

Presented To The

HOUSE APPROPRIATIONS SUBCOMMITTEE
ON FOREIGN OPERATIONS

April 10, 1986

3238 Wynford Drive, Fairfax, Virginia 22031

Mr. Chairman:

My name is Henry L. Walther and I am President of the United States Defense Committee.

The United States Defense Committee is a public interest organization dedicated to a strong national defense and foreign policy.

The U-S-D-- is
~~We are~~ an organization of over 134,000 Americans from all walks of life; machinists, farmers, small entrepreneurs, doctors, lawyers, active and retired service personnel.

bound by
What binds all these people together ~~is~~ a commitment to preserve and defend our national security.

As an organization, the United States Defense Committee believes that American taxpayer money should be spent to further, and certainly not hinder, the U.S. national interest.

This is as true for money spent on domestic agencies as it is for bilateral aid and contributions to multilateral organizations.

The fact is that, in many cases, this criterion is not met.

In my remarks today, I will focus upon three points; the need for increased military aid to Central America, the misspending of American bilateral aid in countries like India and Greece, and the funding of anti-American radicals at the United Nations.

I urge this committee, in the strongest possible terms, to carefully weigh U.S. interest when doling out American taxpayers' dollars to foreign governments and international institutions.

Nowhere is U.S. interest more clear, and can U.S. dollars be more effective than in Central America.

There is in Central America a clear and definite threat; that is, the Soviet-armed, Communist regime in Nicaragua.

I intend to briefly expand upon the reality of the Sandinista threat. Following that, I will outline the catastrophic results should the Communist threat in Central America achieve further victories. A catastrophe not only to Central America but for the United States as well.

After I have presented these points, I believe that the Committee will agree that increased support for anti-Communist forces in Central America is vital to U.S. national security.

Even though it is not within the normal purview of this Committee, the first and most important step is to see to it that this Congress reverses the March 20 vote against the President's $100 million Contra aid bill.

Although speaker O'Neill promised an April 15 vote on aid to the Contras, it is my understanding that the exact vehicle for this appropriation has not been decided.

The United States Defense Committee urges this Committee to do all it can to see that an appropriation for the Contras is passed.

There can be no doubt that Soviet-armed and Cuban-trained Sandinistas intend to export their Communist revolution throughout Central America.

The Sandinistas have repeatedly stated their intention to spread a "revolution without borders" and have announced their intention to build a 250,000 man army.

Already, the Sandinistas have 120,000 men under arms, backed by over $600 million in Soviet weapons and some 10,000 "advisors" from Cuba, East Germany, Bulgaria and North Korea.

This force is larger than the armed forces of neighboring Honduras, El Salvador, Costa Rica and Guatemala combined.

The Sandinistas' contempt for the sovereignty of their neighbors was illustrated two weeks ago when hundreds of Sandinista soldiers poured across the Honduran border.

And for years the Sandinistas have been a conduit for supplies going to, and a safe haven for guerrillas coming from, El Salvador.

With U.S. military aid the Contra Freedom Fighters can defeat the unpopular and oppressive anti-American regime in Nicaragua.

Without military aid the Contras face slow defeat and the Sandinista junta will be free to export revolution to the rest of Central America and Mexico.

The spread of Soviet-armed Communism promises not only oppression and poverty in Central America and Mexico, but a tidal wave of refugees fleeing to the U.S.

According to a congressional briefing paper prepared by H. Eugene Douglas, U.S. Coordinator for Refugee Affairs, If Central America and Mexico fall more than nine million refugees can be expected to flood into the U.S. At an average annual cost of $4,500 per refugee, this would cost over $40 billion per year.

In addition, a Communist Mexico could station a million hostile troops along the U.S./Mexican border. The cost of fortifying and garrisoning the U.S. southern border would be an extra $50 billion a year.

Geographically, Central America and the Caribbean border strategically vital maritime passages.

Through these choke points travel nearly two-thirds of America's foreign trade and one-half of America's petroleum.

97% of the manganese, 93% of the bauxite and 76% of the nickel -- minerals essential to America's aerospace and communications industries -- pass through these waters.

And in a European crisis, at least half our supplies for NATO would be shipped via these "choke points".

If these sea lanes were to be shut down by anti-American forces -- and it is in this light that the liberation of Grenada is so important -- the U.S. would not be able to meet its needs at home nor its commitments abroad.

Clearly, full funding of the pro-American Contras is a necessary link in U.S. national security.

This is, however, only half the equation.

Vital to this overall plan are the Administration's military aid requests for El Salvador, Honduras, Costa Rica and Guatemala.

Frankly, any private investment or economic aid sent to Central America would be pouring money down a rathole unless a security shield is provided and the military situation is resolved.

Tragically, America has been doing just enough in Central America not to lose but not enough to win.

For example, General John Vessey, former Chairman of the Joint Chiefs of Staff, stated in 1984 that in prior years Congress had appropriated for El Salvador only one-fourth of what the U.S. should have spent to defend against Communist aggression.

In recent years the U.S. has stood by and watched while the Communists established control over Suriname, Nicaragua and Guyana.

Decisive action is needed now in the Central American theatre. This was proved by Grenada.

Congress must be committed to the reestablishment of the Monroe Doctrine and to full military funding as the cornerstone of America's Latin American policy.

In fact, hundreds of millions of taxpayers' dollars are misspent around the world.

Even as pro-American regimes in Latin America are begging for the bare minimum of aid, the U.S. is generously funding regimes that actively oppose the U.S.

For example, while pro-American Chile -- with a free market and open opposition press -- received just $23 million in aid from 1981 - 1984, the Communist government of Mozambique -- whose army is trained by North Koreans and East Germans, keeps tens of thousands in so-called "reeducation camps" and has devastated its economy subjecting millions to famine -- received over $37 million in the same period.

India received over $900 million in aid from 1981 - 1984, the majority of which was in grants.

While looking to the West for technology and trade, Indian Prime Minister Rajiv Gandhi looks to the Soviet Union for military equipment and actively promotes their anti-American line.

Less than one year ago, Gandhi concluded a two day visit to Moscow by backing Soviet opposition to President Reagan's SDI program and criticizing U.S. policy in Nicaragua. Naturally, Gandhi has made no such statements in regard to the Soviets in Afghanistan.

The Indian military, which has fought three wars against pro-American Pakistan since 1947, receives some 80% of its weapons from the Soviets and was the first country to be sold the advanced MiG-29 fighter aircraft -- before even Warsaw Pact countries.

It is hard to see the advantage in sending hundreds of millions of dollars to a country which, while proclaiming itself "nonaligned", actively supports Soviet foreign policy and is militarily dependent upon Soviet aid.

Similarly, it might well be time to reconsider the one-half billion dollars a year in military aid given to the anti-American, socialist government of Andreas Papandreou in Greece.

Papandreou's rhetorical affronts are well known: He has referred to Israel as a "Nazi-state"; taken up the Soviet line that KAL 007, brutally shot down with over 200 aboard by the Soviets, was a spy plane; has lauded Polish dictator Jaruzelski as a great leader; and repeatedly has stated his intention to close U.S. bases and pull Greece out of NATO.

and as a NATO ally, Papandreou leaves a lot to be desired.

Greek armed forces are massed along the Greek-Turkish border, positioned in order to fight the Turks rather than the Soviets.

In addition, Papandreou has refused to participate in NATO exercises in the Aegean Sea, using as an excuse the charge that NATO forces favor Turkey.

As long as U.S. bases are on Greek soil and Greece remains a member of NATO, some military assistance is probably in order.

However, should ~~the~~ U.S. bases' leases not be renewed in 1988 or should Greece withdraw from NATO, the U.S. should immediately halt all aid.

In fact, a sharp reduction in U.S. aid this year would be an effective prod toward greater Greek cooperation in this strategic region.

Other countries can be singled out. Generous grants to the corrupt, Socialist regime in Burma and to the Soviet-aligned state in Zimbabwe come to mind.

It is an outrage that Central American states bleed on the front line of Soviet supported insurgencies, even as many richer nations pocket U.S. taxpayers' dollars while blasting American policies and America itself.

U.S. bilateral aid is, all too often, a mish-mash of misplaced priorities.

But as questionable as are the priorities of the U.S. bilateral aid program the multilateral aid program is in even worse shape.

And virtually nowhere are U.S. dollars more clearly misspent than on the United Nations.

While the United Nations was founded upon the highest hopes of the post-war era, it has deteriorated to a place where U.S. actions and allies are denounced, our enemies funded and our shores legally infiltrated by hundreds of Soviet-bloc intelligence agents.

I am convinced that the American people are tired of paying one-quarter of the U.N. budget, over $1 billion in 1984, only to be the target of anti-American abuse.

The growing anger of the American people is exacerbated by the fact that the Soviet Union paid only $156 million to the U.N. in 1984 and is well over $100 million in arrears.

Meanwhile the Soviet Union has three votes in the U.N. General Assembly (one for Byelorussia, one for the Ukraine and one for the Soviet Union proper) while the United States has only one vote.

I urge this Committee to carefully examine the activities of the United Nations and move to make major cuts in U.S. funding of the United Nations.

I am convinced that in careful examination of the record you will agree that only by making major cuts in U.S. funding might it be possible to effect any meaningful reform in the U.N.

Only by making cuts in U.S. funding can the anti-American radicals be put on notice that their actions will no longer be tolerated.

Too many times in the past has American goodwill and taxpayers' money been used to humiliate the U.S. and to work against the national interest.

Barely one week after the U.S. liberation of Grenada, the U.N. voted 108-9 to "deeply deplore" the U.S. action.

In fact, the U.S. was not even permitted to make a statement before the vote.

However, after six years the U.N. has yet to condemn the Soviet Union by name for its brutal invasion and occupation of Afghanistan.

The Soviet Union's three votes, coupled with those of the Communist East-bloc and Third World dictatorships, form a majority in the U.N., allowing the anti-American line to pass nearly every time.

In addition, this majority votes to give U.N. money -- one-quarter of which comes from American taxpayers -- ~~to~~ is given yearly to Communist, Soviet client states such as North Korea, Nicaragua, Cuba and Vietnam and terrorist organizations like SWAPO, ANC, and the PLO.

Over the years 1981 to 1984, one U.N. agency sent over $13 million to North Korea, $7 million to Nicaragua and $17 million to Laos.

During the same period, this agency sent $2.4 million to SWAPO, $2.9 million to ANC and nearly $10 million to Cuba; thereby directly aiding the Soviet plan to gain control of all Southern Africa and threaten the NATO allies with economic strangulation.

In one year alone, more than $7 million was sent to the corrupt regime in Afghanistan, a regime put and kept in place by over 100,000 Soviet troops.

In December 1984, over U.S. objections, the U.N. General Assembly approved $73.5 million for the renovation of a U.N. conference center in Ethiopia, even as millions of Ethiopians were starving.

Millions and millions more have been spent in Soviet-occupied Eastern Europe on things like a motorway connecting the Soviet-bloc nations, the strengthening of iron and steel industries, and the development of nuclear technology.

The most outrageous use of U.N. funds is probably the money used to support the PLO.

The United Nations Relief Works Agency (UNRWA) budgets over $200 million each year for Palestinian "refugee camps".

According to Edward Ghorra, former Lebanese Ambassador to the U.N., the PLO has transformed most, if not all, the refugee camps into military centers for the training of mercenaries sent and financed by other Arab states.

Former U.S. Ambassador to the United Nations Jeanne Kirkpatrick, in testimony before the Senate Committee on Governmental Affairs, stated that funds spent by the UNRWA (UN Relief Works Agency) and the Committee on Palestinian Rights are just as available to Yasser Arafat as if they were simply transferred by bank draft.

Moreover, since the PLO has "official observer" status at the U.N., its representatives sit in on, even chair, discussions on international security.

As an observer at the International Civil Aviation Organization, a U.N. affiliate, the PLO is privy to decisions on air travel security -- security against the very hijackings the PLO routinely carries out.

Also, the U.N. has actively sought to undermine the economic structures of the West.

Radical U.N. agencies, like the United Nations Conference on Trade and Development (UNCTAD) and United Nations Educational and Scientific Organization (UNESCO), have actively worked for the creation of the New International Economic Order (NIEO) adopted in 1974.

The NIEO calls for the wholesale redistribution of wealth from the developed Western countries to the Third World.

Blaming Third World poverty on "colonialism" and "economic imperialism", NIEO promotes state controlled economies generously funded with Western taxpayers' money.

The ill-conceived Law of the Sea Treaty was a similar attempt to forcibly redistribute wealth to the Third World. This treaty, endorsed by 130 U.N. members in April 1982, would have created a "World Council" to govern seabed mining.

This "World Council" would have effectively taxed Western countries for use of international waters in order to finance so-called Third World purchase of technology.

Even generally respected agencies are not free from radical taint.

The Executive Board of UNICEF United Nations International Children's Emergency Funds (UNICEF) is dominated by a radical majority, which, according to a Heritage Foundation study, "favors the ideology of the so-called New International Economic Order and opposes (the) free market."

UNICEF's bias is evident in their lopsided expenditures in Africa and Communist Indochina compared with Central and South America.

This is not surprising when one considers that, the majority of UNICEF aid is given not to children but directly to governments.

→ the Socialist dictatorships and Communist regimes of Africa and Southeast Asia are naturally more in accord with the radical views of UNICEF's majority than are the generally pro-Western governments in Central and South America.

The refugee camps run by the United Nations High Commission on Refugees (UNHCR) in Honduras along the border with El Salvador are reported to have become little more than "safe areas" for Salvadoran guerrillas seeking a respite from military action.

Not only is American taxpayer money going directly and indirectly to U.S. enemies abroad, but it is supporting spies in the United States -- spies that are protected by diplomatic immunity.

The Soviet Union has more than 300 U.N. "diplomats" and nearly 350 U.N. Secretariat employees in New York City.

According to Arkady Shevchenko, a former high-ranking "diplomat" for the Soviets, at least one-third of the 650 Soviets at the U.N. work directly for Soviet espionage agencies.

The restrictions placed upon Soviet and other anti-American nationals at the U.N., even the restrictions recently enacted by the State Department under a mandate from Congress, are far from effective.

The rules require U.S. approval for travel beyond a 25 mile radius. However, this often amounts to little more than mere notification.

As former U.S. alternate to the U.N. Charles Lichenstein notes, it is not difficult to evade the travel restrictions:

"you only have to march onto the Eastern (Airlines) shuttle, pay your 70 bucks....and who knows who you are?"

The Soviet spies especially target U.S. businesses and researchers that operate at the cutting edge of high-technology. By stealing this technology the Soviets have managed in the past, and hope in the future, to upgrade their massive military arsenal forcing the U.S. and its allies to pump billions of dollars more into their own defense programs.

Unbelievably, U.S. taxpayers' dollars actually go to the Soviet Union.

According to U.N. rules, U.N. Secretariat employees are international civil servants employed directly by and with the United Nations.

Soviet employees at the Secretariat, however, are assigned a Soviet civil service rating and are paid by the Soviet Union.

iets working for the U.N. civil service are
~~They are then~~ required to turn over their U.N. pay, which can be as much as $90,000 per year higher than Soviet pay,to the Soviet Union. This practice nets the Soviet government about $20 million per year.

The American taxpayer is, therefore, effectively giving the Soviet Union $5 million per year while employing Soviet spies to boot!

There seems to be no end to the abuses perpetrated by the radicals at the U.N. on the United States and its allies. For example:

The periodic condemnation of Israel and other pro-American governments,

The Soviet administered U.N. External Relations Division which, through its Department of Public Information, has never referred to the Soviet destruction of KAL 007,

Drafting a treaty declaring the moon international property and creating a U.N. agency, the Outer Space Committee, to administer the "territory".

Even with a strong U.S. Ambassador at the U.N., like Jeanne Kirkpatrick, the U.S. has been unable to make a serious dent in these abuses.

A U.N. measure passed last November calling for a withdrawal of troops from Afghanistan still did not mention the Soviet Union.

Probably only the threat that the U.S. would boycott the U.N. commemorative session last fall prevented Yasser Arafat from being invited to address the General Assembly. This invitation would have been issued barely one week after PLO terrorists murdered Leon Klinghoffer aboard the Achille Lauro.

The American people are sick and tired of sending over one billion dollars to the U.N. only to be treated as a whipping boy in return.

Only under the threat, and fact, of serious cuts in U.S. funding can the radicals at the United Nations be made to understand that their anti-American bias will no longer be tolerated nor funded by American taxpayers.

As long as the Soviet Union retains three votes in the U.N. General Assembly, I urge this Committee, in the strongest possible terms, to ~~authorize the U.S. to pay~~ appropriate no more than one-third the amount of Soviet assessed contributions.

At the very least, U.S. contributions of taxpayers' money should not exceed Soviet assessed contributions.

I believe that American aid has been seriously misspent in the past.

I, therefore, strongly urge this Committee to carefully consider the national interest of the U.S. when appropriating funds this year.

No longer should American taxpayers be asked to fund anti-American governments and U.N radicals ~~at the U.N.~~.

No longer should Central Americans be forced to bleed nor American taxpayers face a potential tide of refugees simply because Congress refuses to supply the military aid anti-Communist Central Americans need to defend themselves.

It is high time to spend American taxpayer dollars wisely.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

EDWIN B. OYER, DIRECTOR OF INTERNATIONAL AGRICULTURE AT CORNELL UNIVERSITY, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

Mr. OBEY. Next, Dr. Edward Oyer, Director of International Agriculture at Cornell University on behalf of the National Association of State Universities and Land Grant Colleges.

Mr. OYER. Thank you very much, Mr. Chairman, for the opportunity to present this statement to you this afternoon, and I am speaking on behalf of the National Association of Land-Grant Colleges and State Universities, which represents over 150 of the premier agricultural institutions in every state of the United States.

Our concern is several fold, and I will not read the statement, except for very small parts of it. Our concern is primarily in the trend that assistance has been taking, international assistance has been taking, and I understand you to reflect the same concerns that we have.

We see that the international security assistance has gone up regularly, while international development and humanitarian assistance has gone down, and now by our calculations accounts for only about one-third of this budget item.

We recognize the need for balancing the budget, and we recognize the needs for fiscal conservancy, so we are really addressing more the proportionality of cuts that have been made than we are pleading for any great additional amounts under these severe budgetary times.

I would like to speak particularly on behalf of the university community and mainly the land-grant university community which have access to Title XII funds. The funds are administered primarily through Section 102 of the Foreign Assistance Act, and it is on these proportional cuts that we would like to concentrate.

We work with USAID, which is our nation's technical assistance agency through the Department of State for these international affairs. We have been partners in that since 1975 when that legislation was passed, and we feel that we have a primary opportunity and a primary strength in assisting USAID in its global mission on behalf of our nation in building institutions abroad and developing human capacity for the sustained development efforts.

Then there is something in this as Americans as well, because it has been well documented that in order for the developing countries to become good customers for American agricultural exports, they first need to improve their own agricultural capacity to generate purchasing power. So it is the poverty issue that we are interested in dealing with, as well as the food production issue.

This increased purchasing power stimulates a demand for more and varied foods. It is in the context of building institutional and human capacity to accomplish this result that our land-grant universities have a comparative advantage. Ironically, it is also in this area that disproportionate allocations are evident. In fact, a recent accounting has shown that much less than half of the USAID funded projects in Africa, Asia, and Latin America are of an institution-building character through which long-term capabilities for self-sustaining development can be established. This seems a misallocation of available scarce resources.

On a positive note, we in the university community are very anxious to support and be partners in the USAID's plan for supporting agricultural research and faculties in agriculture in Africa. And again from the standpoint of matching and putting some of our own resources into this, we, at least at Cornell University, are being supported by the President and the Provost for what we call the Cornell Africa Initiative, in which we are trying to stimulate faculty interest in the development issues of this very important continent. Those are our own funds, and we are doing that on our own initiative.

Further, we would like to make note of the fact that again in the light of disproportionate cuts, the Bureau of Science and Technology, which funds many of the mainstream development-type programs, centrally funded through USAID, was again cut 24 percent, while the entire agency's budget was reduced by 11 percent.

Under this entitlement and under this account come the support for the so-called CRSPs, the Collaborative Research Support Programs, which we in the universities are very much a part of, and I should also mention, Mr. Chairman and members of the committee, to which we contribute 25 percent of the total. So again, this is a contributory type of a project, and we are really partners with the U.S. Agency for International Development to make these kinds of activities possible.

We contribute faculty time for collaborative work with colleagues in developing countries and in building the necessary institutions for agricultural research and for the extension of research results to provide additional food for these countries that must flow from these kinds of research efforts.

These reductions in funds, there having been so many earmarks in a number of these areas, when cuts are taken, the university aspect, the university access to these funds is even more markedly and more drastically reduced, and this is what is causing us greater concern, especially in these CRSP programs to which we are contributors and active collaborators.

Finally, I think, leaving the statement to speak for itself, I would like to make one additional point that I think is very important.

When we look at the population of the entire world, we find that at least half of it, over half of it, is inhabited by people whose per capita income is less than $1500 per year. That is very difficult for us to understand. That is our future market in the U.S. These are agrarian societies. Agriculture has been the main base that they have had to work from, the main resource base.

I would only mention that the Section 103 account deals with agriculture, rural development, and nutrition. It is the largest account, functional account in this area; therefore, it is quite susceptible—it is highly visible and susceptible for cutting. I would only point out that in this same fund, in this same account, that the means for building these institutions for sustainable development for these countries to become active trading partners and active economies in their own right will also be negated with reductions in this activity.

So it is in this area where we feel that we can be very compatible and have a comparative advantage and be complementary to serving the responsibilities of the agency for our international development efforts, that we would like to be more helpful, and we ask your continuing oversight, recognizing the very real contributions that this committee has made to this account oversight in past years and appreciating that very much, we are just asking for your consideration as we go into the Fiscal '87 year, because again we recognize that additional cuts will very likely have to be made, and we are just concerned about their potential impact.

[The prepared statement of Dr. Edward Oyer follows:]

A STATEMENT PRESENTED TO THE

UNITED STATES HOUSE OF REPRESENTATIVES

APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS

By

Edwin B. Oyer

Director, International Agriculture Program

New York State College of Agriculture and Life Sciences

Cornell University

Ithaca, New York 14853

Phone: (607) 255-3035

on

April 10, 1986

Honorable Legislators,

I am addressing you as both a concerned citizen and a faculty member and administrator of Cornell University, the land-grant institution of the State of New York, about the FY87 Federal budget covering our international development assistance efforts. We all understand the need to reduce the budget deficit and in order to accomplish this some programs must be cut. However, if the information I have is correct, there appear to be some clear inequities in proportional cuts in the FY86 budget and I hope these inequities (identified below) can be addressed in the mark-up of the FY87 budget.

I am concerned that appropriations for International Security Assistance have gone up, while those for International Development and Humanitarian Assistance to both bilateral and multilateral donors have gone down and now account for only about one-third of our nation's foreign assistance budget. I am particularly concerned about the USAID functional account (Section 103) for agriculture, rural development, and nutrition from which Title XII activities are funded. This account suffered a severe cut from FY85 to FY86 and further reductions for FY87 are likely. As you know, our universities contribute matching funds to some of these programs so we are partners in these activities.

We understand that the Section 103 account for USAID's Bureau of Science and Technology was cut 24% in FY86 while the similar cut for the entire Agency was only 11%. Many of our Title XII activities are centrally funded through this Bureau. For example, at Cornell University our participation in the TropSoils and Bean/Cowpea Collaborative Research Support Programs (CRSP), the Nutrition Surveillance Project and Water Management Synthesis II Project have been negatively impacted by this disproportionate cut. In addition, many centrally funded activities in USAID's Bureau of Science and Technology provide the knowledge and action base essential to the success of country development projects.

Reduction of funds to this Bureau undercuts drastically the participation of universities compared to other sectors of the development assistance community in spite of the fact that we match or contribute to a number of these development activities. The CRSP programs in particular have provided the opportunity to contribute the expertise of university scientists to collaborative research with colleagues in developing countries and many significant accomplishments have resulted. Some are already in practice and others will demonstrate their impact in developing countries in the near future if funding remains at adequate levels. The

CRSP instrument also offers an excellent opportunity for increased and mutually beneficial interaction between U.S. universities and the International Agricultural Research Centers which receive a significant portion of their funding from USAID.

But universities' primary strength in assisting USAID in its global mission is in building institutions abroad and developing the human capacity for sustained development efforts. It has been well documented that in order for the developing countries to become good customers for American agricultural exports, they first need to improve their own agricultural production capacity to generate purchasing power. This increased purchasing power stimulates a demand for more and varied foods. It is in the context of building institutional and human capacity to accomplish this result that our land-grant universities have a comparative advantage. Ironically, it is also in this area that disproportionate allocations are evident. In fact, a recent accounting has shown that much less than half of the USAID-funded projects in Africa, Asia, and Latin America are of an institution-building character through which long-term capabilities for self-sustaining development could be established. This seems a misallocation of available scarce resources.

On a positive note, we in the university community support the USAID Plan for Supporting Agricultural Research and Faculties of Agriculture in Africa in which we can be particularly helpful. Here is an opportunity for us to plan and work together in our own best national and international interests. A world power like the U.S. should do no less! At Cornell University, our President and Provost are funding and participating in an activity which is known as the Cornell Africa Initiative. This activity is designed to stimulate faculty interest in development issues of the African continent to complement our existing expertise in Asia and Latin America. President Rhodes has communicated directly with Administrator McPherson on this subject. We are committed participants in foreign assistance activities which we deem appropriate for an educational institution and are attempting to build public awareness of the need for these activities to serve our own national interest.

I close with the specific plea that you, as members of the House Appropriations Committee on Foreign Operations, pay particular attention to these concerns. If you wish more specific examples or suggestions for desired action, I will be happy to speak with you or a member of your staff. Thank you for your consideration of this matter.

Mr. OBEY. Thank you. Mr. McHugh?

Mr. MCHUGH. Thank you, Mr. Chairman.

I will just note, as you probably know, Cornell University is in my Congressional district, and more than that, in my hometown. I serve on two Appropriations subcommittees, this one and the Agriculture subcommittee, and I must say, it's a great help to have Cornell and a land-grant college in particular in my hometown, because I rely upon people like Ed Oyer a great deal for advice and help.

And of course, we agree with your priorities, Ed, as you can tell from the comments of the chairman and our prior discussions. The real question is budgetary, and hopefully we can preserve the kind of priorities which we all share in this very painful, difficult process which the chairman has referred to many times.

Mr. OBEY. I hope not too many of your institutions got those nasty notices from the Department of Education yesterday on the Pell Grants. I know a number of mine did.

Mr. OYER. On which grants?

Mr. OBEY. The Pell Grants.

Mr. OYER. The Pell Grants. I'm sorry. I didn't——

Mr. OBEY. I think you will find that a lot of the universities around the country were notified yesterday by DOE that under the new method of determining what happens when there are missed estimates on Pell Grants, the universities are getting stuck with the bill. And I know of one university that was notified yesterday that its owed DOE $250,000.

Mr. OYER. Wow. I hope we did not get one of those.

We are very much invested in the Title VI funding under the DOE, and we have hopefully made very good use of those resources as well.

Mr. OBEY. Thank you.

Mr. OYER. Thank you very much.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

BRENT BLACKWELDER, ENVIRONMENTAL POLICY INSTITUTE, WASHINGTON, D.C.

Mr. OBEY. Next, Mr Brent Blackwelder, the Environmental Policy Institute.

Mr. BLACKWELDER. Thank you, Mr. Chairman.

My essential reason for being here, Mr. Chairman, is to commend you and the subcommittee for your outstanding work last year in examining multilateral bank activities and putting in substantial directives to them. We think that's superb leadership, and we are working this year to try to ensure that the banks implement these directives, but we don't underestimate the challenge that is before us, and we hope that continued oversight will not be necessary, but anticipate that it probably will be.

I apologize for not appearing on the panel earlier. I hope this has not caused any inconvenience. I concur with the testimony they have given.

I would just submit my statement for the record and make a quick summary.

The thrust of my testimony is to suggest that there are numerous beneficial, small-scale alternatives that the banks could be investing in instead of megaprojects. If you look, for example, in Africa, we have good evidence now about the effectiveness of small-scale forestry projects, soil erosion, and dune stabilization efforts, agroforestry and kitchen gardens, and I've attached these to my testimony. These are the kinds of things that make sense. If something goes wrong, you don't have a major catastrophe on your hands. They don't end up spreading disease or displacing individuals as large-scale projects have done.

In the energy area, there is a tremendous opportunity for the banks to leapfrog many developing countries into energy efficiency. And paradoxically, it may seem that energy efficiency may make sense for energy gluttons such as the United States, and it may appear to an observer that it's inapplicable to developing nations, but I think nothing could be further from the truth, and I suggest in my statement here some of the research done by Professor Williams at Princeton which shows that, on the contrary, there is tremendous opportunity in developing countries for energy efficiency improvements in the industrial and commercial sectors.

For example, in Brazil, for every one dollar that is spent on incandescent bulbs, the utility must invest ten dollars in new hydrofacilities, a tremendous capital drain facing debt, whereas if they use some of the new lighting that is available, you get the same energy output at one-quarter and have 19 times the light lifespan.

Similar savings are available in basic manufacturing processes. Also the wealthy portion in these countries tend to be as energy efficient as we in the industrial countries are. There are many opportunities for savings there. And rather than spell those out, I just think that there's a major role for the banks. But based upon the meetings that we have had with bank staff, it appears that they do not want to go as aggressively as they ought to into these areas. They are still wedded to the models of the past, and anything that the committee could do to speed that process up would be appreciated.

Essentially, that's what I wanted to say.

Mr. OBEY. Thank you very much.

[The prepared statement of Mr. Brent Blackwelder follows:]

ENVIRONMENTAL POLICY INSTITUTE

Testimony of Dr. Brent Blackwelder before the Subcommittee on Foreign Operations of the House Appropriations Committee, Concerning Appropriations for the Multilateral Development Banks.

April 10, 1986

The Environmental Policy Institute once again is grateful for the opportunity to present testimony to this Subcommittee. We commend the Subcommittee for the outstanding leadership it has shown in trying to bring about increased sensitivity to social and environmental concerns at the multilateral development banks. The directives to the U.S. executives directors to the World Bank and the other multilateral banks passed last year, serve as a model for other major nations which contribute to these banks. Citizens in industrialized countries are going to be using the U.S. directives as a model to seek similar directives from their parliaments.

The Environmental Policy Institute is concerned that the multilateral banks (as huge bureaucracies) are very slow to change. Congressional oversight is absolutely essential if the action this committee directed is actually to be implemented this year and in the years ahead.

The Environmental Policy Institute is especially concerned that the banks are not going to shift into environmentally beneficial projects as rapidly as they could. Last year, for example, the World Bank funded the Indonesian transmigration project, a resettlement scheme involving hundreds of thousands of people being moved into tropical forests displacing indigenous people, destroying forest unsuitable for agriculture, and in short doing everything which a good sensible development project should never do. The World Bank has been funding the Narmada Basin development scheme in India. This massive project would involve the construction of thirty major dams costing $6 billion, displacing over two hundred thousand tribal people. The failure of the bank to look into sensible alternative energy investments, or more gradual irrigation development [illegible] using ground water or conjunctive management of surface and ground water is typical of how a model of previous river basin development is just superimposed without careful thought and planning. This is the type of project that absolutely should not continue.

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Another example of a project for which funding maybe soon sought from the Asian Development Bank or the World Bank is the Bakun Dam in Malaysia. This hydro-electric scheme would destroy tropical forest and displace indigenous people for the benefit of an aluminum company in Germany who does not want to meet pollution control standards there. It is entirely inappropriate for these multilateral development banks to fund pollution flight and to proceed with such a scheme while at the same neglecting a model energy efficiency program developed for Malaysia which is a much more sensible alternative.

The Environmental Policy Institute would like to spell out this testimony in some detail, the kinds of alternative the banks should fund. We believe that the banks have a vital role to play in addressing the deterioration of the global environment. The major elements of this deterioration are the spreading of deserts, the loss of tropical forests, and the rapid disappearance of species. We urgently need the banks to fund extensive reforestation efforts, soil erosion control projects, agroforestry and kitchen gardens, all on a village-level scale, not on the massive scale to which they are accustomed. Ample evidence has been produced by the Office of Technology Assessment on the value of these small scale projects and their potential in dealing with the massive famine problems in Africa. Attached is a two-page list of some of these.

In the energy area, some have argued that energy conservation is a luxury applicable to those industrialized nations that waste huge quantities of energy, but that the Third World cannot afford this or has no real room for it. Nothing could be further from the truth. In fact, some experts argue that the only hope for improving the quality of life in developing countries is for them to make the maximum use of the abundance of energy efficiency improvements available in the industrial, commerical, and residential sectors.

EPI would like to call the committee's attention to a article by Professor Bob Williams at the Center for Energy and Environmental Studies at Princeton University, which makes the case that the standard of living throughout the developing nations of the world can be improved with little increase in per capita enegry consumption. New lighting is available which uses one quarter of the energy of traditional lighting and has 19 times the life. Very efficient motors are now available, again with enormous energy saving potential. Significant gains in energy efficiency and possible in manufacturing. Furthermore, there is a great opportunity which countries like Brazil and Mexico have to produce super fuel efficient vehicles, getting 60 to 90 miles per gallon. Such super fuel efficient vehicles would allow Brazil to meet the fuel demands of its expanding automobile population with little, if any, increase in imported oil.

William's asserts in his paper "Exploring the Global Potential for More Efficient Use of Energy":

> "Detailed analyses of the US and Swedish situations suggest that it would be feasible to reduce by half per capita energy use in developed countries at the same time per capita GDP increased 50-100% over the next several decades. For developing countries it would be feasible to support living standards ranging from present levels up to those in Western Europe in the 1970s with about the same per capita energy use as today, depending on the emphasis given to modern energy carriers and energy-efficient end-use technologies."

The multilateral development banks can play a major role in leapfrogging the developing countries into energy efficient economies but they are reluctant to make a big push in this very promising area.

ENVIRONMENTAL POLICY INSTITUTE

EXAMPLES OF SUCCESSFUL SMALL-SCALE PROJECTS

SPONSORED BY NON-GOVERNMENTAL ORGANIZATIONS

The Bills H.R.(2782) and S.(1364) introduced by Representative Gilman and Senator Kassebaum address the root causes of the African famine and are designed to facilitate small-scale projects such as the ones described below. These projects would be designed and supported primarily by Non-Governmental Organizations (NGOs).

The types of NGOs active in Africa vary widely in their size and the scope of their efforts. They range from local grass-roots organizations (agricultural development groups, garden committees, etc.) to international NGOs such as CARE and the Lutheran World Relief.

Listed here are examples of successful collaborative efforts between local and international NGOs:

- CARE/Niger's Maggia Valley windbreak project. Since 1975 over 300 km of protective windbreaks have been established in the Maggia Valley, an important agricultural area. The project cost less than one million dollars and assisted local people by reducing the impact of winds while also producing fuelwood, small poles and other forest products. In addition, the productivity of millet crops has increased by 29% when sheltered by such wind breaks.

- Africare/Senegal/USAID-funded village woodlot project. In the Thies and Kaolack regions, several villages have collectively set aside productive land for tree farming. With minimal assistance by the Forestry Department, more than 100 hectares have been successfully planted. Recent efforts by the Senegalese Government are encouraging villages to take complete control of the harvesting of these trees. This helps assure that profits from the sale of the pole timber produced on the woodlots will benefit local organizations (local water improvement groups, garden associations,etc.).

- Church World Service/Algeria "Reboisement Populaire" movement. This project helped reforest and stabilize the local supply of a variety of forest products by supporting local organizations in their efforts to plant several species of cypress and juniper.

- Euro-Action ACORD and OXFAM/Upper Volta Soil Conservation projects. This successful venture helped introduce several soil conservation techniques to farmers via local organizations. Terracing, creation of banquettes and installation of small check dams increased the area's agricultural productivity by 10%.

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- CARE/Chad Acacia albida project. The Peace Corps helped several local groups reintroduce this species in a successful intercropping scheme which has ensured continued soil productivity. Operating in very remote areas around Lake Chad, the project also increased local awareness for the species' value as a natural soil improver and fodder producer. Intercropping with A. albida has proven to increase agricultural productivity by up to 152%.

- Lutheran World Relief/Mauritania dune stabilization project. After several years of marginal success and high costs, this project now offers a bright spot in an otherwise dismal situation. Use of local species (Euphorbia and Prosopis) by local groups has reduced the cost to $400 per hectare. Tree survival and dune stabilization now seem feasible.

- Cameroon/CARE Village Forestry Project. This project has successfully established village nurseries which produce over 10,000 seedlings per year. With minimal government assistance, local organizations have conclusively shown their ability to implement forestry projects.

- SODAVA/Senegal Acacia albida reintroduction project. Like CARE/Chad, SODEVA/Senegal successfully reintroduced this important species into agricultural lands around the Diourabel region. This organization is now active in several villages, supporting Acacia intercropping and woodlotting in the Ties and Sine Saloum regions.

- Lutheran World Relief/Niger's live fencing project. Live fencing to replace scarce dead branch thorn barriers, which can otherwise be used for fuel, is being introduced and readily accepted by local farmers and gardeners in Niger's Sahelian zone.

--Excerpts taken from a report published by the Non-Government Liaison Service of the United Nations

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

ROBERT A. BASIL, VICE PRESIDENT FOR POLICY, AMERICAN LEBANESE LEAGUE

Mr. OBEY. Next, Mr. Robert A. Basil, Vice President for Policy, the American Lebanese League.

Mr. BASIL. Thank you very much, Mr. Chairman. My name is Robert Basil, Policy Chairman of the American Lebanese League, a nationwide non-profit organization founded by American citizens in 1976 to promote United States/Lebanon relationships and to foster the sovereignty, security, democracy and independence of Lebanon within the bounds of the U.S. national interest.

We are not a lobbying organization but an educational, humanitarian and social organization with the broad national membership base representing the philosophy and ideas of about 2.5 million Americans of Lebanese descent.

I would like to discuss briefly the importance of Lebanon to the United States and the major U.S. policy and foreign aid actions that should be considered to achieve U.S. strategic and regional objectives, and freedom for the suffering Lebanese nation and people. Policy action and foreign aid must go together; otherwise, foreign aid will not be effective.

Lebanon today is important far beyond its size and natural resources, because it represents an unique and intense concentration of problems and opportunities facing the U.S. regionally and strategically.

The four maior problem areas the U.S. hoped to solve by the removal of all foreign forces from Lebanon in 1982 have grown worse. Soviet penetration of the region, international terrorism, strengthening of the peace progress, and regional stability affecting access to oil.

Today I would like to focus on terrorism, both the terrorism daily ravaging the suffering, silent majority in Lebanon, who daily bear the burden of foreign occupation, and by the civilized world who suffer from terrorism funded, trained and exported from cesspools of terrorism that flourish within Lebanon.

Lebanon and its suffering silent majority have been held hostage for 11 long years. On April 13, 1975, almost 11 years to the day, a war was started in Lebanon by radical forces determined to bring down the Lebanese nation. Since that day, the Lebanon the world has come to know and admire as the center of culture, civility, commerce, free press, education, a safe haven for all religious and ethnic minorities, the only working democracy in the entire Arab World, the only free, secure Christian community in the entire Islamic world, has been ravaged by fanatic forces who despise and are determined to eradicate every single one of these noble facets of the Lebanese national character.

No more grim example can be given than the campaign by these radical groups to force a massive, permanent demographic change in Lebanon by systematically uprooting and dispersing its ancient Christian community. During these 11 years over 450,000 Christian men, women and children have been displaced from their homes, villages and farms, many living under the most difficult circumstances in Lebanon, many others dispersed throughout the U.S., France, Belgium, Cyprus, Brazil, Australia, all waiting to return.

Over 106 churches and convents have been destroyed or desecrated, priests and nuns murdered, mutilated or violated, over 110 Christian villages overrun. Of the 1.2 million Christians, almost 40 percent have been killed, wounded, orphaned or displaced.

The Libyan-Syrian-Iranian-PLO axis comprise these radical forces. Libya, who massively funds radical groups in Lebanon. Syria, Iran and the PLO, who have major military presence both with armed aliens and armed surrogate nationals, loyal to Qadhafi, Assad, Khomeini and Arafat, making a mockery of loyalty to the Lebanese nation.

Not surprisingly, the identical Libya-Syria-Iran-PLO axis leads the international terrorist assault against the Free World, particularly the United States. A partial list of atrocities include assassination of Ambassador Malloy in Beirut, blowing up the U.S. Embassy twice, slaughtering our fine young men in the Marine Barracks disaster, the TWA hijacking last year, the recent killing of four innocent passengers, including a lovely 11 month old child on the TVA flight to Athens.

The terrorist camps in Lebanon, sponsored and supported by the Libya-Syria-Iran-PLO axis, plans, trains and executes its terrorist acts against U.S. interests and targets, only to return untouched.

Mrs. Mai Mansour, a prime suspect in the most recent TWA tragedy, admits that she and her political party work actively against U.S. interests, but denies that she or her party would commit any violent acts such as murdering innocent civilians. Mrs. Mansour's husband was killed as a driver in a suicide bomb attack. Her political party, the Popular Syrian Party, demands that Lebanon give up its sovereignty and join a Greater Syria, and her political party is the main apparatus used by Syria to perform its terrorism in Lebanon, including randomly shelling with heavy artillery large civilian areas of innocent, defenseless men, women and children, car bombing and other terrorist acts.

If tomorrow there is proof that Mrs. Mansour is guilty, will it be possible to apprehend her and bring her to trial?

Mr. Hobeika, a prime suspect in the assassination of President elect Bachir Gemayel, and who subsequently launched the vicious attacks against civilians in Sabra and Chatilla, tried to sign away Lebanon's sovereignty to Syria last December. He is now in Syria controlled territory, and is the prime suspect in masterminding and executing the savage car bomb attacks that haunt and decimate the innocent Christian population, whose sin is to be the major focus of resistance and refusal against Syrian hegemony over Lebanon.

Just day before yesterday, civilians, including innocent mothers with children shopping in a fish market in Jounieh were deliberately attacked by a car bomb, designed to kill not only the innocent people but especially the spirit of the population.

If firm evidence confirms Mr. Hobeika's guilt, will it be possible to bring him to trial?

The courage of the silent majority remains. They will keep their country free, regardless of the cost in lives and hardship. However, the U.S. needs to help, not only in a humanitarian way, but also to try to blunt these terrorist groups and states from completing the total, long term take over and control of Lebanon. That cannot be in the U.S. national interest.

ALL strongly recommends that the U.S. implement the following actions; one, major humanitarian aide to Lebanon; two, major economic aid to Lebanon; three, extend UNIFIL mandate in South Lebanon and also expand its mandate to other areas of Lebanon controlled by the Libyan-Syrian-Iran-PLO axis; four, to consider policy actions against the states sponsoring terrorist activity.

The late President elect Bachir Gemayel summed up the feelings of the suffering silent majority of the Lebanese people in a personal letter he wrote to President Reagan, in which he quoted General George Washington addressing the Continental Army in the darkest days of the Revolutionary War, "Our cruel and unrelenting enemy leaves us only the choice of brave resistance, or the most object submission. We have, therefore, to resolve to conquer or die."

Thank you, Mr. Chairman.

[The prepared statement of Robert A. Basil follows:]

STATEMENT
BY
ROBERT A. BASIL
VICE PRESIDENT - POLICY
AMERICAN LEBANESE LEAGUE
BEFORE THE
SUBCOMMITTEE
ON
FOREIGN OPERATIONS
OF
THE HOUSE APPROPRIATIONS COMMITTEE
10 APRIL 1986

Mr. Chairman:

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Lebanon and its suffering silent majority have been held hostage for eleven long years. On April 13, 1975, almost eleven years to the day, a war was started in Lebanon by radical forces determined to bring down the Lebanese nation. Since that day, the Lebanon the world had come to know and admire as the center of culture, civility, commerce, free press, education, a safe haven for all religious and ethnic minorities, the only working democracy in the entire Arab World, the only free, secure Christian community in the entire Islamic world, has been ravaged by fanatic forces who despise, and are determined to eradicate, every single one of these noble facets of the Lebanese national character.

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A.L.L. strongly recommends that the U.S. implement the following actions:

1. Major humanitarian aid to Lebanon.

2. Major economic aid to Lebanon.
3. Extend UNIFIL mandate in South Lebanon, and also expand its mandate to other areas of Lebanon controlled by the Libyan-Syrian-Iran-PLO axis.
4. Consider policy actions against the states sponsoring terrorist activity.

The late President-Elect Bachir Gewayel summed up the feelings of the suffering silent majority of the Lebanese people in a personal letter he wrote to President Reagan, in which he quoted General George Washington addressing the Continental Army in the darkest days of the Revolutionary War:

> "Our cruel and unrelenting enemy leaves us only the choice of brave resistance, or the most object submission. We have, therefore, to resolve to conquer or die."

Thank you, Mr. Chairman.

Mr. OBEY. Thank you. Mr. McHugh?

Mr. MCHUGH. Thank you very much. It is a tragic situation. I wish there was some effective way that we could help to resolve it quickly, but obviously it is much more complicated than that. Thank you for your statement.

Mr. OBEY. Do you think we ought to continue to try to support and keep open the AUB?

Mr. BASIL. AUB has performed an unique function in the region. I think in the last 10 to 15 years, that the AUB apparatus, because it is located where it is, no longer reflects the aspirations and culture of Lebanon and the Western culture it was designed to project in the first place, and a lot of the activity there has become a well spring for anti-U.S., anti-Democratic, rather unsavory ideas.

I think the AUB is a noble institution that should be kept going, provided we could figure out a way to correct what has gone wrong.

Mr. OBEY. Thank you.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

PAULA R. NEWBERG, LAWYERS COMMITTEE ON HUMAN RIGHTS

Mr. OBEY. Our witness now is Paula Newberg of the Lawyers Committee on Human Rights.

Ms. NEWBERG. Thank you very much.

I am here today on behalf of the Lawyers Committee for Human Rights, to discuss the human rights situation in Pakistan.

We believe that the confluence of two developments, the formal lifting of martial law in Pakistan earlier this year, and the proposed Administration assistance package of $4.02 billion affords the Congress a unique opportunity to help promote respect for human rights in Pakistan today.

As you know, General Zia ul Haq, in part with Administration encouragement, formally lifted martial law effective January 1, 1986. Many aspects of military rule were abolished, including military courts, harsh censorship, and the absolute ban on political parties.

However, a number of important issues remain unresolved. I have outlined these in my written statement and I will only highlight them here.

First, we believe that there are at least 200 political prisoners currently detained in Pakistan. They were tried by summary procedures and military courts during the martial law period, without due process, right to counsel or any other provisions of guarantee for fair trial.

Second, during December of 1985, to facilitate the formal lifting of marital law, many summary courts were scheduled with alacrity, affording fewer opportunities to present fair cases. In addition, special military courts, operating during December, sentenced at least 26 people to death after political trials.

Third, maltreatment in Pakistan prisons seems to remain a constant. Torture during martial law was a regular and brutal part of imprisonment. According to Pakistan human rights groups, these practices have not entirely ended.

Fourth, indemnity legislation passed in 1985 exempts General Zia and his military government from any challenge to acts committed under the military regime. The law is sweeping and prohibits challenges to military court sentences as well. Some martial law ordinances and regulations remain in effect at this time.

Fifth, judges who were dismissed after a 1981 provisional constitutional order removed power from civil courts have not been reinstated.

Sixth, persecution of a religious group called the Ahmadis continues and in this regard, four Ahmadis have had death sentences confirmed by General Zia in the last month, after trials which many believe were constructed solely by their religious differences with the Pakistani government.

In addition, General Zia remains the President and Chief of Army Staff. He, with the military, retain firm control over Pakistan politics and many Pakistanis believe that the military has really not ended its military rule.

Elections in 1985 were restricted and many believe that the elected National Assembly, rather than legitimizing the government, serves to delegitimize democratic processes in the country.

Because all of these factors directly affect future relations between Pakistan and the United States, we hope that the Congress will scrutinize carefully the scope, nature, and timing of the proposed assistance; hold full Committee hearings on the proposals; and consider methods to maintain leverage and pressure on the Pakistan government to make lasting progress with respect to human rights.

We have outlined a somewhat more specific agenda in our written testimony, and I am happy to elaborate in questions.

[NOTE.—Copies of the Lawyers Committee report "Zia's Law: Human Rights Under Military Rule in Pakistan" were submitted, and placed in Subcommittee files.]

[The prepared statement of Paula R. Newberg follows:]

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HUMAN RIGHTS IN PAKISTAN

Testimony of Paula R. Newberg

before the

Subcommittee on Foreign Operations

of the

Committee on Appropriations

of the

United States House of Representatives

April 10, 1986

Mr. Chairman, thank you for inviting me to testify. My name is Paula Newberg. I am here on behalf of the New York-based Lawyers Committee for Human Rights, a public interest law center that works to promote compliance with internationally recognized human rights and legal principles.

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I will confine my remarks today to the subject of human rights in Pakistan. Last July, the Lawyers Committee issued a 116-page report on the human rights situation in Pakistan based on a mission of inquiry of which I was a member. The report concluded that human rights violations under General Zia's regime were grave and far-reaching, and had deeply compromised the legal foundation for civil liberties in Pakistan. Since our report was issued, martial law in effect since July 1977, has been formally lifted. I returned to Pakistan this winter, again on behalf of the Lawyers Committee, to observe the lifting of martial law and the enactment of reforms.

The Lawyers Committee believes that congressional attention to the human rights situation in Pakistan is particularly important at this time for two reasons. First, the Administration has recently proposed a $4.02 billion military and economic assistance package covering a six year period beginning in FY 1987. Second, the human rights situation in Pakistan is now at a critical turning point. While the lifting of martial law as of January 1, 1986 was a welcome, significant step forward, a number of important issues, which I will outline in my testimony, have yet to be resolved. The confluence of these two developments affords Congress a unique opportunity to promote respect for human rights in Pakistan.

I believe that the United States government deserves a substantial measure of credit for encouraging General Zia ul Haq to lift martial law. In part because of that, I also believe the Congress can, through the appropriations process, encourage further steps to guarantee full democratic rights to Pakistan citizens. The current situation should be viewed with care, and future American relationships with Pakistan should be structured with caution to provide a sound basis for significant reforms.

Steps taken to lift martial law and reinstate democratic government in Pakistan have been tentative and partial. On the positive side, the formal reinstatement of the 1973 constitution at the beginning of 1986 technically ended military rule; military courts have been disbanded, and most pending cases have been transferred to civil courts; and political parties have been allowed to form. Despite these welcome developments, important tests of the government's commitment to restore democracy and human rights still lie ahead.

One test concerns the government's treatment of political prisoners who remain detained. The Pakistan government asserts that only a handful of political prisoners are now detained, and that new detentions have been scarce since January. We estimate, however, that over 200 political prisoners remain in detention in all four provinces. These include twelve of an original 100 students arrested in Sind in 1984 after the military opened fire on busloads of students; members of Quetta's Shia community, arrested after confrontations with the military last summer during a religious procession; and many individuals detained after clashes with the military government. In addition, political prisoners remain jailed for criticizing the military government's actions during martial law. Despite requests from civil rights organizations and politicians in Pakistan, the government has not published the charges for which most of these prisoners were sentenced. Some long-standing prisoners -- including political leaders Rasul Bux Palejo and Fazil Rahu, and philosophy professor Hasan Zafar Arif -- have remained in preventive detention for years even though Palejo's detention, recently renewed for another three months, has resulted in serious prolonged illness.

The substantial number of political prisoners who remain in jail is disturbing also because most were tried by military courts that used summary procedures. The majority of cases pending in military courts as of the end of 1985 were transferred to civil courts when martial law was lifted, although several in Sind province have not been transferred. Because of a backlog of uncharged and untried cases in late 1985, however, the government tried a large number of cases in summary military courts in November and December. These efforts to complete dockets in military courts led to somewhat quick-and-dirty justice in late 1985, with military judges announcing the end of cases before they began. Thus, while re-establishing civilian court jurisdiction has been an important improvement, the continued detention of prisoners convicted under summary procedures remains a problem.

In addition, no attempt has been made by the government to return to office the judges who were dismissed after General Zia replaced the Constitution with a Provisional Constitutional Order in 1981 that removed all powers from civil courts. The continued absence of those judges remains a testing point for the regime.

A special one-judge court has been established under 1975 anti-terrorist legislation to replace the military tribunal hearing the case of the Sindhi medical students who were fired upon by the military in 1984. However, this law places the burden of proof on the accused rather than the accuser.

The limits of court jurisdiction, outlined in the 1985 Revival of Constitution Order, have yet to be tested fully. In the Punjab and Sind, while lawyers have filed petitions challenging death sentences imposed by military courts applying summary procedures, none has been overruled to date and a number of political prisoners have had their death sentences confirmed by the President. Only the President has the authority to commute such sentences.

Equally disturbing, reports of torture have continued in 1986. During the years of martial law, fetters were used routinely in detention, and maltreatment was commonplace. While vigilant domestic and international complaints have reduced the use of fetters somewhat, reports from civil rights groups in Pakistan suggest that the practice may still continues.

In addition, democratic institutions remain weak and political rights are still curtailed. The civilianizing of Pakistani politics remains slow and difficult. Power resides primarily with the President, who as Chief Martial Law Administrator took his present title and office after an uncontested 1984 referendum. He has the power to declare a state of emergency without parliamentary consent, and thus cancel fundamental rights unilaterally.

The President's highly centralized power is all the stronger because he and the former military government were granted indemnity for all actions taken from 1977 through 1985. This indemnity law is the broadest granted any martial law government in Pakistan's history. Not only are decisions taken in that period inviolable, but some of the orders promulgated under martial law remain in force.

The government-controlled national assembly took office after a restricted election, without the participation of political parties. Because parties were explicitly excluded from sponsoring candidates or campaigning, the multi-party Movement for the Restoration of Democracy felt compelled to boycott the 1985 elections. In return, the martial law government outlawed the advocacy of boycott and imprisoned at least 1000 MRD supporters. Many Pakistanis therefore believe that the legitimacy of the assembly as a representative democratic body is thus called into question.

Political parties, while no longer formally banned, are now regulated by the 1979 Political Parties Act. While written with the expressed intention of minimizing corruption, in fact the act -- which provides rules for party registration -- continues to offer the president opportunities to regulate and control the political process. Thus far, most parties have chosen not to register.

Political demonstrations are now allowed, and informal, non-governmental attempts to form a commission to examine crimes committed by the military government have not been thwarted, despite broad indemnity laws. Also, harsh censorship was revoked when martial law was lifted. Yet, the government recently demanded that the newspaper Amn retract its criticism of torture in the Sind town of Sukkur, and threatened to stop publication for three months. Self-censorship is still practiced, although the press is no longer required to operate at the express instruction of the government.

Free expression is most severely circumscribed for a religious community called Ahmadis. Followers of a minority sect considered unIslamic by the government, Ahmadis have increasingly been subject to government-sanctioned discrimination and persecution. A 1984 Presidental order restricting the rights of Ahmadis remains in force, and has been the legislative justification for trials instigated by the government after conflicts between Ahmadis and non-Ahmadis in Punjab and Sind. Four Ahmadis have had death sentences confirmed by President Zia on the basis of these trials, and are currently awaiting execution. Not only has the Pakistan government turned a deaf ear to mercy pleas for these cases, but both the President and the Prime Minister have regularly issued public statements condemning the sect. And all Pakistan Muslims are now required to sign anti-Ahmadi statements in order to procure passports and other official documents.

Beyond these infractions of human rights lies an equally serious concern, with profound implications for future American relations with Pakistan. The current Pakistan government is strongly disliked and unacceptable to many Pakistani citizens. To them, General Zia's military rule has not ended. The national assembly is viewed as a tailor-made disguise for military governance. Rather than legitimizing military rule, it has for many Pakistanis served to delegitimize democratic processes. Despite urging from all sectors of the Pakistani public, General Zia continues to maintain his two positions, as President and Chief of Army Staff, concurrently, and has made no substantive gestures to separate the army from political power. The return to democratic rule and civilian government can only be viewed with questions and concern.

These concerns about Pakistan's domestic problems extend to it relationship with the United States. In Pakistan, anger and resentment toward the military easily translates into suspicion toward the United States and the U.S.-Pakistan relationship. Many Pakistanis believe that huge military assistance packages have helped General Zia remain in power, and that the United States has pursued policies which follow the General's blueprints. Public statements by the U.S. ambassador in Islamabad critical of the moderate democratic opposition -- particularly during the period surrounding the 1985 elections -- have underscored this problem, and fueled anti-American sentiment.

The scope and nature of future U.S. assistance has received considerable attention in Pakistan. Not only the association with General Zia, but the enormity of the military assistance, has made a strong impression on the Pakistani public. Time and again, criticism of the General's relationship to the American government is paired with a persistent fear that, in the interest of pursuing U.S. goals in Afghanistan, conditions in Pakistan are being ignored. Fears abound that a long-term, large unconditional commitment of billions of dollars of aid now, before democratic politics has been allowed to take hold in Pakistan, will simply renew the military's access to the political arena, and invite the excesses of recent years anew.

Given the tenuous nature of civilian participation in Pakistani politics today, a new long-term aid commitment to General Zia, following directly an earlier, lengthy aid package, seems inappropriate. If General Zia plans to open political discourse in Pakistan, and allow a firm grasp for civilian government, time is needed to give such initiatives an opportunity to grow. A guaranteed five-year assistance program reduces the leverage available to the United States to encourage such democratization. A one-year commitment of economic assistance, with provision for additional funds later, would seems a more cautious and constructive approach.

If a multi-year package is to be approved, however, we would like to encourage the Congress to adopt the kind of approach pursued with the Philippines. At that time, Congress adopted a policy to "front-load" the economic portion of aid, explicitly leaving open the possibility of "back-loading" the military portion in the later years of the agreement. Such a policy might offer insights for future U.S. aid to Pakistan. Insofar as military aid has become a symbol of the support of the Pakistan military, such a policy would send a clear message to Islamabad that the deferral of military aid is contingent upon respect for civil liberties and democratic rights. Equally important, it offers Congress flexible power to adjust each segment of the aid package to maintain pressure and leverage on the Pakistan government to guarantee an independent judiciary and full respect for civil liberties and political rights.

At the very least, given the size of the aid package and the importance of these concerns, we would encourage the Congress to hold full committee hearings before making its final decisions about the proposed appropriation to Pakistan. We believe it is extremely important that the Congress ensure that adequate opportunity is available to human rights experts and specialists on Pakistan to discuss fully the implications of a new assistance package.

Mr. **Obey**. Thank you. Mr. McHugh?

Mr. **McHugh**. Thank you very much.

Mr. **Obey**. Thank you very much. We appreciate your time.

Thursday, April 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

NANCY IRIS, POLICY INFORMATION COORDINATOR, U.S. COMMITTEE FOR REFUGEES

Mr. **Obey**. Next, Mr. Roger P. Winter, Director, U.S. Committee for Refugees.

Ms. **Iris**. I am obviously not Mr. Winter. [Laughter.]

My name is Nancy Iris and I am the Policy Information Coordinator for the U.S. Committee for Refugees. Mr. Winter could not be here this morning—or this afternoon, and he asked me to present his testimony.

Mr. Chairman, and members of the Subcommittee, I appreciate the opportunity to appear before this Subcommittee to present the views of the U.S. Committee for Refugees concerning Fiscal Year 1987 appropriations for Migration and Refugee Assistance.

The U.S. Committee for Refugees is a nonprofit, nongovernmental organization established in 1958 to inform the public and policymakers about world refugee issues in order to promote responsible refugee policies.

We gather our information through a variety of methods. These include undertaking investigative field trips, monitoring publications, interviewing refugees and refugee service providers, debriefing colleagues returning from the field, conferring with our colleagues from counterpart organizations in Europe and around the world, meeting with representatives from the United Nations High Commissioner for Refugees and other international organizations, as well as officials from the Department of State's Bureau for Refugee Programs, Health and Human Services' Office of Refugee Resettlement and the Immigration and Naturalization Service.

I believe I can best serve the interests of refugees and this subcommittee by first reviewing what it means to become a refugee. This is particularly important given the current legislative agenda. For the past few years, your colleagues on the Judiciary Committee have been struggling with a bill on immigration reform and the question of undocumented aliens.

In the minds of many, refugees are often lumped together, as "foreigners," with immigrants and the undocumented. But refugees are neither. They are people in need of protection, protection from persecution. That persecution, as stated in the 1951 UN Convention and the 1967 UN Protocol relating to the status of refugees, as well as our own Refugee Act of 1980, may be for reasons of race, religion, nationality, membership in a particular social group or political opinion.

Persecution—the denial of fundamental human rights—is the key characteristic of refugees, a fact often misunderstood by the U.S. public.

With this in mind then, my first concern is that in the shadow of the Balanced Budget and Emergency Deficit Control Act of 1985, better known as Gramm-Rudman-Hollings, migration and refugee assistance will become the victim of indiscriminate, across the board cuts, as it almost did last summer.

No one in America—certainly no one in Washington, D.C.—remains unaware that Congress is tightening the budget belt. But such budget cutting should not be arbitrary. Refugees are neither buildings, nor roads, nor missiles. They are people. People who need care and protection. Hunger and pain cannot wait until the end of the fiscal year for the reprogramming of accounts or the passage of supplemental bills.

Just this week, the U.S. Committee for Refugees released its World Refugee Survey 1985. We found that the number of refugees in the world had climbed to more than 10 million. The majority of these refugees are female.

In the best of all worlds, there would be no refugees. In the second best of all worlds, refugees would be able to return to their homelands. But the world refugee scene is presently characterized by long-term situations. Stays of many years in first asylum countries—Palestinian refugees in the Middle East; Cambodians, Vietnamese, and Laotians in Thailand; Vietnamese in Hong Kong; Afghans in Pakistan; Ethiopians in the Sudan and Somalia; Salvadorans in Honduras—have become the norm.

While we in the United States prepare to celebrate the 100th anniversary of the Statue of Liberty, millions of people around the world watch their days spent as refugees stretch into years.

And there are new crises as well. These include, to name a few, Tamils fleeing Sri Lanka; Indonesians seeking refuge in Papua New Guinea; Mozambicans crossing into South Africa; and South Africans seeking refuge in Lesotho where they are unable to remain.

In the past, the United States has been the leading donor of international refugee assistance, as well as the leading country of refugee resettlement. But much of the burden of providing prolonged refuge is being carried by nations among the poorest of the world.

Senate bill number 2208, the Africa Famine, Recovery, and Development Fund Act of 1986 recently introduced in the Senate would assist just such countries. This bill has the support of Interaction, a participatory coalition of over 140 voluntary organizations involved in development and/or refugee assistance.

We ask you to take into consideration the burden shouldered by underdeveloped nations in caring for refugees when you are reviewing appropriations for development as well as refugee and migration assistance.

While resettlement in a third country is the least preferred solution for refugee crises, it is the only solution for some. The number of refugees being resettled in the United States has sharply decreased over the past six years, at the same time that world refugee populations have grown. In 1980 the U.S. resettled 207,116 refugees. In Fiscal Year 1986, the Department of State budgeted to resettle 67,000 refugees. In Fiscal Year 1987, the budget allows for the resettlement of 63,000 refugees in the United States.

This is a small group in comparison to the over half a million immigrants we accept.

This brings me to my second major concern; the protection of refugees and those in refugee-like situations in Southeast Asia.

The decisions of this Subcommittee will affect the day to day quality of life of over 237,000 Cambodians who remain in Thailand on the Thai/Cambodian border. Unable to return to their homes, they are under the care, but not protection, of the UN Border Relief Operation. Some of them have lived in this precarious situation for the past five years. These people should be immediately moved well back from the border for their own safety.

The majority of Khmers long to go back to their country when the political situation allows them to do so. While children of elementary school age form 40 percent of the total population, only 15 percent have an opportunity to attend classes.

Another 176,000 Vietnamese, Laotians, and Cambodians classified as refugees—with no different characteristics from many of the Cambodians on the border, except for their earlier arrival date in first asylum countries—are in refugee camps overseen by the United Nations High Commissioner for Refugees.

Brutal pirate attacks persist on Vietnamese boat refugees, who continue to arrive on the shores of Southeast Asia eleven years after the fall of Saigon. Although in sheer numbers the reported attacks are down, the number of rapes and the level of violence have steadily increased over the past few years.

It is important that this Committee and others remain flexible concerning funding, if and when the Vietnamese respond to the U.S. initiative, as announced last September by Secretary of State Schultz, to resettle 10,000 "re-education" camp prisoners and their qualifying family members. These "re-education" camp inmates deserve our attention along with other possible POWs and MIAs in Vietnam.

Another initiative announced by Secretary of State Schultz, in September, has yet to be realized. In testimony before the House Judiciary Subcommittee on Immigration and Refugee Policy, he announced the initiation of a limited program, on the Thai/Cambodian border, "to unite close family members with relatives already in this country primarily through immigration-type channels." To date, only four people have departed for the U.S. under this initiative.

My third and final concern is the importance of U.S. contributions to international organizations such as the U.N. Border Relief Operation, the International Committee of the Red Cross, the United Nations Relief Works Agency for Palestine Refugees in the Near East and, most importantly, the U.N. High Commissioner for Refugees. Through these organizations, all 10 million of the world's refugees, as well as the millions of displaced people within their own countries, are assisted.

In the case of refugee and migration assistance, this Subcommittee holds the purse strings which can make the difference between fear of persecution and freedom from persecution. The refugee admissions portion of the budget is the minimum necessary to preserve first asylum protection in Southeast Asia.

In a letter to the readers of the World Refugee Survey, President Reagan said:

> Some believe the wellspring of American generosity is running dry. Nothing could be further from the truth. The drive of our people to assist refugees in need overseas and to resettle those who need it is an integral part of the American ethic.

We agree with the President. The American people's best instincts and interests will be served by this Committee if the Administration's funding request for refugee and migration assistance is appropriated in full.

Thank you.

[The prepared statement of Nancy Iris follows:]

STATEMENT OF

ROGER P. WINTER, DIRECTOR

U.S. COMMITTEE FOR REFUGEES

PRESENTED BY NANCY IRIS
USCR POLICY/INFORMATION COORDINATOR

ON

FY'87 APPROPRIATIONS
FOR

REFUGEE AND MIGRATION ASSISTANCE

BEFORE

UNITED STATES HOUSE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON FOREIGN OPERATIONS

April 10, 1986

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before this subcommittee to present the views of the U.S. Committee for Refugees concerning fiscal year 1987 appropriations for Migration and Refugee Assistance.

The U.S. Committee for Refugees is a nonprofit, nongovernmental organization established in 1958 to inform the public and policy-makers about world refugee issues in order to promote responsible refugee policies.

We gather our information through a variety of methods. These include undertaking investigative field trips, monitoring publications, interviewing refugees and refugee service providers, debriefing colleagues returning from the field, conferring with our colleagues from counterpart organizations in Europe and around the world, meeting with representatives from the United Nations High Commissioner for Refugees (UNHCR) and other international organizations, as well as officials from the Department of State's Bureau for Refugee Programs, Health and Human Services' Office of Refugee Resettlement and the Immigration and Naturalization Service.

I believe I can best serve the interests of refugees and this subcommittee by first reviewing what it means to become a refugee. This is particularly important given the current legislative agenda. For the past few years, your colleagues on the Judiciary Committee have been struggling with a bill on immigration reform and the question of undocumented aliens. In the minds of many, refugees are often lumped together, as "foreigners", with immigrants and the undocumented. But refugees are neither. They are people in need of protection, protection from persecution. That persecution, as stated in the

1951 UN Convention and the 1967 UN Protocal relating to the status of Refugees, as well as our own Refugee Act of 1980, may be for reasons of race, religion, nationality, membership in a particular social group or political opinion. Persecution--the denial of fundamental human rights--is the key characteristic of refugees, a fact often misunderstood by the U.S. public.

With this in mind then, my first concern is that in the shadow of the Balanced Budget and Emergency Deficit Control Act of 1985, better known as Graham/Rudman/Hollings, Migration and Refugee Assistance will become the victim of indiscriminate, across-the-board cuts, as it almost did last summer.

No one in America--certainly, no one in Washington, D.C.--remains unaware that Congress is tightening the budget belt. But such budget cutting should not be arbitrary. Refugees are neither buildings, nor roads, nor missiles. They are people; people who need care and protection. Hunger and pain can't wait until the end of the fiscal year for the reprogramming of accounts or the passage of supplemental bills.

Just this week, the U.S. Committee for Refugees released its World Refugee Survey--1985. We found that the number of refugees in the world climbed to more than 10 million in 1985. The majority of these refugees are female.

In the best of all worlds, there would be no refugees. In the second best of all worlds, these refugees would be able to return to their homelands. But the world refugee scene is presently characterized by long-term situations. Stays of many years in first asylum countries--Palestinian refugees in the Middle East; Cambodians, Vietnamese, and Laotians in Thailand; Vietnamese in Hong Kong; Afghans in Pakistan; Ethiopians in the Sudan and Somalia; Salvadorans in Honduras--have become the norm. While we in the United States prepare to celebrate the 100th anniversary of the Statue of Liberty, millions of people around the world watch their days spent as refugees stretch into years.

And there are new crises as well. These include, to name a few, Tamils fleeing Sri Lanka, Indonesians seeking refuge in Papua New Guinea, Mozambicans crossing into South Africa and South Africans seeking refuge in Lesotho where they are unable to remain.

In the past, the United States has been the leading donor of international refugee assistance, as well as the leading country of refugee resettlement. But much of the burden of providing prolonged refuge is being carried by nations among the poorest in the world. Senate bill #2208, the Africa Famine, Recovery and Development Fund Act of 1986, recently introduced in the Senate, would assist just such countries. This bill has the support of INTERACTION, a participatory organization of over 140 voluntary organizations involved in development and/or refugee work. We ask you to take into consideration the burden shouldered by underdeveloped nations in caring for refugees when you are reviewing appropriations for development as well as refugee and migration assistance.

While resettlement in a third country is the least preferred solution for refugee crises, it is the only solution for some. The number of refugees being resettled in the United States has sharply decreased over the past six years at the same time that world refugee populations have grown. In 1980, the U.S. resettled 207,116 refugees; in fiscal year 1986 the Department of State budgeted to resettle 67,000 refugees. In 1987, the budget allows for the resettlement of 63,000 refugees in the United States. This is a small group in comparison to the over half a million immigrants we accept. This brings me to my second major concern: the protection of refugees and those in refugee-like situations in Southeast Asia.

The decisions of this subcommittee will affect the day to day quality of life of over 237,000 Cambodians who remain in Thailand on the Thai/Cambodian border. Unable to return to their homes, they are under the care, but not protection, of the UN Border Relief Operation. Some of them have lived in this precarious situation for the past five years. These people should be immediately moved well back from the border for their own safety.

The majority of Khmers long to go back to their country when the political situation allows them to do so. While children of elementary school age form 40% of the total population, only 15% have an opportunity to attend classes. Education for youngsters in long-term refugee situations such as this and those previously mentioned is critical. Another 176,000 Vietnamese, Laotians, and Cambodians classified as refugees--with no different characteristics from many of the Cambodians on the border, except for their earlier arrival date in first asylum countries,-- are in refugee camps overseen by the United Nations High Commissioner for Refugees.

Brutal pirate attacks persist on Vietnamese boat refugees, who continue to arrive on the shores of Southeast Asia eleven years after the fall of Saigon. Although in sheer numbers the reported attacks are down, the number of rapes and the level of violence have steadily increased over the past few years.

It is important that this committee and others remain flexible concerning funding, if and when the Vietnamese respond to the U.S. initiative, as announced last September by Secretary of State Shultz, to resettle 10,000 political prisoners currently and previously confined in Vietnam's "re-education" camp prisons and their qualifying family members. These "re-education camp" inmates deserve our attention along with other possible

POWs and MIAs in Vietnam.

Another initiative announced by Secretary Shultz, in September, has yet to be realized. In testimony before the House Judiciary Subcommittee on Immigration and Refugee Policy, he announced the initiation of a limited program, on the Thai/Cambodian border, "to unite close family members with relatives already in this country primarily through immigration-type channels." To date only four people have departed for the U.S. under this initiative.

My third and final concern is the importance of U.S. contributions to international organizations such as the U.N. Border Relief Operation, the International Committee of the Red Cross, the United Nations Relief and Works Agency for Palestine Refugees in the Near East and, most importantly, the United Nations High Commissioner for Refugees. Through these organizations, all 10 million of the world's refugees as well as the millions of displaced people within their own countries are assisted.

In the case of Refugee and Migration Assistance, this subcommittee holds the purse strings which can make the difference between fear of persecution and freedom from persecution. The refugee admissions portion of the budget is the minimum necessary to preserve first asylum protection in Southeast Asia. In a letter to the reader's of the World Refugee Survey, President Reagan said, "Some believe the wellspring of American generosity is running dry. Nothing could be further from the truth. The drive of our people to assist refugees in need overseas and to resettle those who need it is an integral part of the American ethic."

We agree with the President. The American people's best instincts and interests will be served by this committee if the administration's funding request for Refugee and Migration Assistance is appropriated in full.

Mr. Obey. Thank you.

Let me simply respond by saying I agree with the President's words, too. I wish his actions matched it.

The fact is that it is all well and good for the Administration to support this initiative and that initiative. But the fact is that we are stuck with the responsibility of then explaining to the American public why they get 79 cents worth of program for every dollar they pay in taxes.

And I fully recognize the humanitarian requirements represented by the program that you are talking about. But I will tell you the position that I am in, as Chairman. What I find usually is that tactically—for want of a better word, I will say liberals—liberals often want $40 million so badly that they will give up $1 billion to get it. They do not think tactically.

And it is very difficult, when we are put in the kind of a box that we have been put in by the Administration's budget and their refusal to pay for the programs they say they are for. It is very difficult for us to pick and choose among favorites. If I chose my favorites, they would be UNICEF, they would be refugees, they would be the banks, because they leverage the most money, they get the best bang for the buck in comparison to the bilateral programs.

But the minute I play my favorites, then everybody else wants to play theirs and we wind up, in the end, having the same thing we have had the last four years—or four of the last five years rather.

In four of the last five years, the portion of this budget that grew the fastest was the portion of the budget for guns. Last year was the first time that we reversed that trend. And I intend to try to continue to reverse it.

But that means that, in the context of Gramm-Rudman, that much though I would like, it is going to be extremely difficult to provide anything near last year's funding, unless we get the political compromise that I have been talking about to people all day, which means the Administration is going to have to face up to the fact that if it wants to pay for all these programs, it is going to have to—if it wants the money for these programs, it is going to have to pay for it because I am not going to ask members of the House to fund these programs either by adding to the deficit or by cutting out money for cancer research, for heart disease, for AIDS research, for all of the things that affect people's lives very directly, as well.

This country is rich enough to pay for all of them.

And I am willing to take full credit for providing whatever money we provide in the bill, provided we are willing to take the heat for paying for it, as well, as I said earlier.

So again, I would urge your organization—because I know that groups representing this account were unhappy last year. I just want to send the message that I hope they lobby as hard for a revenue increase to pay for these programs as they are lobbying for efforts to get the funding for them, because unless we lobby on both sides of the ledger, we are only meeting half our responsibilities and I am left with the tough half.

Ms. Iris. Thank you. I'll take that message back.

I would like to add, in terms of the American public, that we did a poll last year on public attitudes towards refugees and immigrants and found that, indeed, when you educate people about refugees and who they are, that the majority of the people do support——

Mr. OBEY. No question about that. The problem is that the way things work, you have to get 218 votes for something. And usually once you break the formula, then in order to get your $40 million or $30 million—or whatever it winds up being—we wind up losing an arm and a leg, in terms of much bigger numbers in other programs.

That is why sooner or later people who believe in the humanitarian side of this bill are going to understand that either we are going to all stick together or we are all going to sink together. But if we flake off in different directions, we are going to lose.

Ms. IRIS. I agree with that, too, but maybe we should hold the lobbying on taxes until after next week. [Laughter.]

Thank you.

Mr. OBEY. Thanks.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

JOHN T. HOWLEY, VICE PRESIDENT, NATIONAL ASSOCIATION OF REALTORS

Mr. OBEY. Next, Mr. John T. Howley, Vice President, National Association of Realtors.

Mr. HOWLEY. Mr. Chairman, members of the committee, I am John Howley, vice president for International Affairs of the National Association of Realtors, and also I represent the International Real Estate Federation, which has representatives in some 43 countries.

I am here to talk about the housing guarantee program of AID, and a U.S. voluntary contribution to the UN Center for Human Settlement.

We provided a written statement for the record, which I will just simply highlight, and then talk to a couple of other points.

The authorization bill last year provided $150 million of guarantee authority for the housing guarantee program, and in addition, earmarked some $400,000 for the UN Commission on Housing and Human Settlements in support of the International Year of Shelter. We are requesting the committee in the appropriation act to appropriate the authority that is required in both cases.

We have stated, I think, in this statement essentially why we are supporting both of these efforts, and I am going to talk from points that are not in here for just a moment.

First of all, it is very clear that AID, through that housing guarantee program, is a worldwide leader on the issue of low income housing. And as somebody that has seen many of these programs in many countries—I can cite three, for example, where I have seen extraordinary results from the AID effort, in Kenya, in Portugal and in Zimbabwe, and sometimes in the face of social systems that don't particularly appreciate pressing private initiative, private property rights and homeownership.

This program has operated in those kinds of environments very successfully, and has a very long history, I think, of persisting in the face of difficulties. We don't know of any alternative for the housing guarantee program of AID, and it is for this reason that we are supporting its continuation.

I think the committee is also aware that there is in existence a careful study of the economics of the housing guarantee program which concludes that it is actuarially sound and economically self-sufficient.

The program, however, is being impacted by debt rescheduling and so on, and fails to have some of the flexibility that I think some other, more bankable programs have. That is, I think you are being asked to appropriate $10 million of funds for replenishment of reserves, and I think that in addition to that, the kind of program that this is really ought to have available to it two other tools, and that is the capability to refinance, which I think it can do under the existing legislation, though there is some reluctance, I believe, in the Executive Branch to do that.

The second is to provide borrowing authority to deal with short term cash problems that may be caused by rescheduling. We believe that these are sensible tools that should be made available to the program.

We have pointed out in the past the fact that the UN Center on Human Settlements and the people managing it have been in the process of adopting policy positions that we think are more sensible over time, security of tenure, appropriate role for the public in the private sector, and they are engaged in a major effort with the International Year of Shelter to reformulate this problem.

We think for that reason modest support from the United States should be forthcoming.

From the perspective of the private sector, the testimony you have before you, which we submit for the record, indicates that we in the National Association of Realtors, together with the International Union of Building Societies, and the International Real Estate Federation are in fact making a major effort to organize elements of the private sector that have not been engaged in looking at worldwide questions of shelter during the course of this year. And to that end, we will organize a second effort to which some two to three hundred thousand dollars of private money will be required to fund that effort, and to pull into that effort people that are not normally concerned with problems of housing in the Third World.

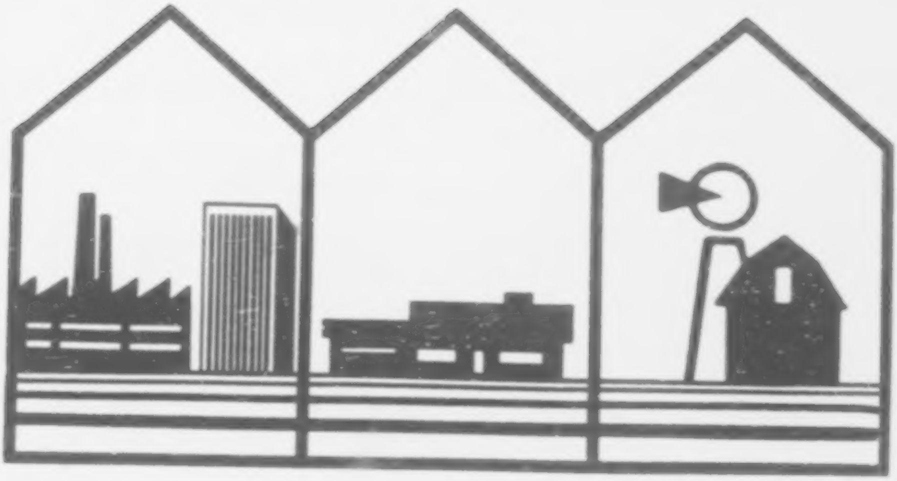
So to repeat, fund the housing guarantee program. There is no alternative. It's a remarkable record, and provide a modest contribution to the UN Center for Human Settlements.

Thank you very much.

Mr. OBEY. I have to say as a former real estate broker, I am happy to have you before us today.

Thank you.

[The prepared statement of Mr. Howley follows:]



Statement of the

NATIONAL ASSOCIATION OF REALTORS®

THE WORLD'S LARGEST TRADE ASSOCIATION

TO: HOUSE SUBCOMMITTEE ON FOREIGN OPERATIONS,
COMMITTEE ON APPROPRIATIONS

ON: FOREIGN ASSISTANCE ACT FOR FY 1987

BY: JOHN T. HOWLEY, VICE PRESIDENT, INTERNATIONAL AFFAIRS
NATIONAL ASSOCIATION OF REALTORS®

DATE: APRIL 10, 1986

OFFSET
CAMERA COPY

STATEMENT
on behalf of the
NATIONAL ASSOCIATION OF REALTORS®
regarding the
FOREIGN ASSISTANCE ACT FOR FY 1987
to the
HOUSE SUBCOMMITTEE ON FOREIGN OPERATIONS
of the
COMMITTEE ON APPROPRIATIONS
by
JOHN T. HOWLEY, VICE PRESIDENT, INTERNATIONAL AFFAIRS
NATIONAL ASSOCIATION OF REALTORS®
April 10, 1986

Mr. Chairman: I am John Howley, Vice President, International Affairs Division of the NATIONAL ASSOCIATION OF REALTORS®. I am also Executive Officer of the U.S. Chapter of the International Real Estate Federation which has members in forty-three countries. On behalf of the more than 710,000 members of the National Association, I greatly appreciate the opportunity to testify before the House Subcommittee on Foreign Operations. I am pleased to present our views on those sections of the Foreign Assistance Act pertaining to housing assistance and international organizations.

SUMMARY

The NATIONAL ASSOCIATION OF REALTORS®, as we testified last year, believes that the United States has a major stake in world housing progress. We know the strong desire of people in our own country for decent housing, home ownership, and the importance these have to our political and social stability and economic growth. We are persuaded that improvements in housing and home ownership, or other forms of secure tenure, are fundamental elements of political and social advancement in other countries. When people have a stake in their own country they will preserve it.

Last year the President signed into law an authorization for foreign assistance which includes two provisions that the NATIONAL ASSOCIATION OF REALTORS® strongly supports. These are:

1. An authorization of $150 million of guaranty authority in each of FY's 1986 and 1987 for AID's Housing Guaranty Program. This successful program is unsubsidized. It promotes private enterprise and home ownership which we support. It serves low-income families and it serves important foreign policy objectives.

2. A voluntary contribution of $480,000 in each of FY's 1986 and 1987 from within the Administration's requested funding for International Organizations to the United Nation's Centre for Human Settlements. This organization is the Executive Agency for the International Year of Shelter. It is supporting security of tenure, home ownership and individual initiative in developing country programs to house the poor. The Congress should demonstrate its support for the direction being taken by this well-managed UN agency.

These provisions were written into the appropriation bill for foreign assistance in Fiscal Year 1986. We support appropriations for these programs at their authorized level in Fiscal Year 1987, provisions that we request be written into the bill for foreign assistance now before your committee.

AID HOUSING GUARANTY PROGRAM

Our testimony of last year and our current position strongly support continuation of the Housing Guaranty Program administered by the Agency for International Development because the benefits to the United States greatly exceed any likely costs. Our main points are that the program:

(1) Requires full repayment of loans at market rates of interest. Full recovery with interest is required and expected.

(2) Has provided the Congress with twenty years of good experience. It provides home ownership possibilities and needed infrastructure for lower income families in participating countries, removes constraints to private sector housing production, and facilitates self-help efforts.

(3) Stimulates greater savings through increased homeownership in developing countries and expands access to formal credit systems particularly for lower income households.

(4) Helps to promote, mobilize and improve capital markets both in participating countries and internationally.

(5) Is dramatically less costly to the U.S. Treasury than other forms of development assistance loans and grants.

(6) Promotes self-help and individual initiative. It serves to enhance civic pride and, correspondingly, to strengthen the individual's stake in his/her society and its stability.

(7) Provides an outstanding example of how the right policies and institutions can encourage people to provide their own shelter. The elimination of this program and the loss of U.S. leadership in the international arena, where we play an extraordinarily important role, would have significant consequences throughout the developing world.

(8) Has been spoken of as the central U.S. commitment in support of the International Year of Shelter for the Homeless in a number of UN Conferences.

INTERNATIONAL YEAR OF SHELTER FOR THE HOMELESS

In addition to the Housing Guaranty program, we strongly support appropriating the authorized level for a U.S. contribution for the UN Centre for Human Settlements (UNCHS) in support of the International Year of Shelter. This modest contribution would be obtained by reducing development grants or U.S. contributions to other parts of the United Nations. UNCHS has wisely adopted policies which support the efforts of people to help themselves provide their own shelter needs, and policies to encourage home ownership and other forms of more secure tenure. The business community is vitally interested in the International Year of Shelter.

The International Real Estate Federation, the NATIONAL ASSOCIATION OF REALTORS® of the United States, and the International Union of Building Societies and Savings Associations are co-sponsoring a Second International Shelter Conference later this year. Most important private housing related organizations from around the world will participate in the meeting (see Attachment A). Major international aid agencies, the World Bank and the United Nations Centre on Human Settlements (Habitat) will also participate. The Conference is designed to be a major private sector contribution to the International Year of Shelter designated by the United Nations.

The Second International Shelter Conference will:

(1) Be an important waypoint in formulating a private sector view on worldwide shelter and urban policies for the remainder of this century. The private sector view on world policies for shelter and urban services is not articulated; there has not been a forum in which to express it; nor has there been a body to advocate such a view.

(2) Further develop a private sector International Shelter Coalition; a respected and influential private real estate, housing and finance expert group which will issue authoritative policy statements to national and international bodies whose financial and program policies affect housing and related industries.

(3) Provide a continuing forum in which the Coalition can meet.

(4) Set forth the basic principles and specific actions necessary to facilitate a private sector response to the problem of shelter in the world.

The expansion of world trade and growing economic interdependence have an increasingly powerful impact on the U.S. economy and the real estate industry. These developments have increased the need for REALTORS® to monitor, forecast and seek to influence world economic policies and developments that may affect them.

The U.S. is now a debtor nation and thus increasingly dependent upon healthy foreign capital markets. These markets are sensitive to the financial position of developing nations. Their ability to service debt is in large part dependent upon the kind of internal economic and financial policies they pursue.

AID, through the Housing Guaranty Program, is promoting sensible policies including support for private initiative and home ownership. UNCHS is sensitive to security of tenure and the role of the non-governmental sector. The objective of our support is, as rightly it should be, the development of the private sector initiatives everywhere.

In closing, we strongly recommend that the Congress continue the AID housing loan guaranty program as authorized and strongly recommend appropriating the balance of the authorization to the United Nations Centre for Human Settlements.

Attachment A

Sponsoring and Participating Organizations

A. Private Organizations sponsoring the Second International Shelter Conference now are:

NATIONAL ASSOCIATION OF REALTORS®
International Union of Building Societies (IUBSSA - 65 countries)
International Real Estate Federation (FIABCI - 43 countries)
NFRETA (Japanese Real Estate Association)
United States League of Savings Associations
National Council of Savings Institutions
Mortgage Bankers Association
Cooperative Housing Foundation
Africa Union of Building Societies
Canadian Real Estate Association

B. Private Organizations considering sponsorship or participation are:

Royal Institute of Chartered Surveyors (UK)
Incorporated Society of Valuers and Auctioneers (UK)
Building Society Association (UK)
Inter-American Housing Union (Hqtrs.- Chile- 21 L.A. Republics)
Inter-American Savings and Loan Bank (Hqtrs.-Venezuela)
Carribbean Association of Building Societies and Housing Finance Institutions (Kingston, Jamaica)
FIABCI Chapters (43 countries)
Associated General Contractors of America
National Association of Home Builders
American Institute of Architects
International Council of Shopping Centers
National Forest Products Association

C. Participating Public Organizations:

Agency for International Development
United Nations Centre for Human Settlements
World Bank
U.S. Department of Housing and Urban Development
Canadian Mortgage and Housing Corporation

D. Potential Participating Public Organizations:

Canadian International Development Agency
Central American Bank for Economic Integration (Hqtrs. - Guatemala)
Commonwealth Development Corporation (UK)
Asia Development Bank (Manila, Philippines)
Inter-American Development Bank (Hqtrs. - Washington, D.C.)
Korea Housing Corporation (Seoul, Korea)
Jordan Housing Bank (Amman, Jordan)
Credit Foncier (Egypt)

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

ROBERT E. MATHE, CHAIRMAN, AMERICAN CONSULTING ENGINEERS COUNCIL

Mr. OBEY. Mr. Robert E. Mathe, Chairman, American Consulting Engineers Council.

Mr. MATHE. Mr. Chairman, members of the Subcommittee on Foreign Operations. My name is Robert Mathe. I appear before you today as a senior vice president of PRC Engineering, and as chairman of the American Consulting Engineers Council, the Engineering Council's International Engineering Committee.

ACE is a professional association of 4500 independent engineering firms with nearly 130,000 professional technical and support personnel, which provide consulting engineering and related professional design services to the public and private sector clients, not only here in our country, but internationally across the world.

The International Engineering Committee is composed of some 166 firms which are practicing consulting engineering in the international marketplace, and it is the largest committee within the American Consulting Engineers Council. It is active in many areas there for the international trade policy and business.

I have a rather lengthy statement which I'd like to have entered in the record, but I would like to comment about some of our problems and just cover some of these key issues with you.

First of all, I would like to set the stage for where we are today, in this world. I think we have had a lot of comments up here about the imbalance of payments and the economic problems around the world, and we certainly have sensed that in the engineering profession.

As the economic situation has worsened, there has become a tremendous compression of effort in the engineering field, both by larger firms taking on smaller projects, also by the international lending agencies really financing fewer infrastructure type projects, putting more money into structural redevelopment type loans, and as a result of this, we have really seen our marketplace dwindle considerably.

Additionally we have seen many national firms evolve in the Third World countries, and so today, we feel a tremendous compression in this marketplace, and really have over the past several years lost what I would say is practically 50 percent of that marketplace to our competitors.

Now in this relationship, we do feel that our foreign competition is doing a better job than we are. They are using tools which make it possible for them to achieve things which we are obviously not achieving. They are using quasi-governmental engineering organizations in competition with us. They are using export subsidies for feasibility studies, bid proposals. They are using mixed credits to win design and construction type contracts, and their governments are sharing risks with their private enterprise in much of the work that's going on overseas.

Consequently, we feel that the U.S., if they are going to participate in this international arena, has got to be much more aggressive in meeting the challenge of these in this international marketplace.

We feel that the U.S. ought to certainly adopt a much more coordinated and a much more integrated trade promotion program across the whole spectrum of the various entities and agencies that it has working overseas.

We also feel that they ought to be working very closely with private enterprise in this regard.

I am going to talk a little bit about several of those agencies in the international field. One of them is the trade and development program, U.S. Trade and Development Program. We feel that over the period of the four or five years it's been in existence, it's done a superb job in assisting in the development of trade and promotion of trade on a worldwide basis. The cost has been very nominal, and the results, I think, have been exceptional, and so does everyone in the engineering community.

We feel that in a broader or larger environment, the TDP probably should be playing a stronger role in a coordinated effort.

In regard to AID, since 1973, it has been embarked upon basically a basic human needs strategy. We don't object to the basic human needs strategy, but we wonder whether it has achieved over the period of time since 1973 what we have expected of it, or if it has given the results back to the American business which at times AID espouses.

We feel indeed that AID has not played the role that it should in U.S. trade promotion. It's to us rather strange that we haven't had any sort of coordination between the U.S. AID on the one hand and the Commerce Department in regard to trade promotion. Many dollars are being spent in the AID program, but there is absolutely no coordination between the International Trade Administration and AID. We feel that this ought to be altered.

We also feel that AID ought to take a much more balanced approach in regard to its program and, therefore, we feel that in addition to the four basic pillars that AID uses in their basic human needs strategy, there ought to be a strong fifth pillar which involves trade promotion. We feel they can and should play a significant role in this area.

In regard to the multinational lending agencies, we feel that our competitors have done a much better job in using these agencies to obtain contracts and to obtain work for their enterprises. We feel, therefore, that our executive directors in those agencies should be given a requirement to look at trade promotion and look at it very strongly from a U.S. standpoint. They should be helping, they should be the source of intelligence information that would become available to private enterprise for them to compete effectively in the international arena with firms from other countries.

In regard to the Ex-Im Bank, I think that they have tried to play a strong role in improving credits for service-oriented activities such as the engineering profession. As a matter of fact, within the past year they have set up what is called the Engineering Multiplier Program. And there have been a number of commitments that have been made under that program, and we feel that this has certainly been an effort to benefit or help the engineering profession on a worldwide basis.

However, again, there have not been very many of those commitments taken up because in competition with foreign firms, the kinds of credits that are available under the engineering multiplier program are not competitive with the kinds of mixed credits which are being used by other countries.

So we nonetheless feel that the institution would be in better shape in its current format than in altering it or in going into the "I match" type program which has been discussed up here in the Congress.

There also has been some discussion within the past few months about a $300 million war chest to be used in a mixed credit type program. Our reaction to that is that that may be fine for a few large projects or perhaps for the export of some major goods at this particular time, but basically it's kind of a band-aid approach. It doesn't really solve the longer term problem which we feel is essential.

When we look at ourselves as engineers, we are in effect the cutting edge or the wedge into the future, because basically engineers are required at the very inception of projects to do feasibility studies and do planning and to get things started.

We'd much rather see the kind of money that you are talking about or that's being talked about, $300 million, that more of that money be made available to an institution like the TDP, or be made available for engineering type projects which would have longer range implications in terms of development of trade and exports for the United States.

Gentlemen, that's about all I have to say. I'd like to again emphasize that we feel that in regard to these institutions, they're all playing in the same ball game. They ought to be coordinated. We are fighting a team effort here on the part of other countries. I think we need to form our team that can really compete and compete effectively in this international arena.

Thank you.

Mr. **Obey**. Thank you very much.

Mr. McHugh?

Mr. **McHugh**. No questions. Thank you very much.

Mr. **Obey**. Thank you.

[The prepared statement of Mr. Mathe follows:]

STATEMENT

on behalf of the

AMERICAN CONSULTING ENGINEERS COUNCIL

on the

FOREIGN OPERATIONS FUNDING

before the

SUBCOMMITTEE ON FOREIGN OPERATIONS

of the

HOUSE COMMITTEE ON APPROPRIATIONS

by

Robert E. Mathe

CHAIRMAN, ACEC INTERNATIONAL ENGINEERING COMMITTEE

April 10, 1986

INTRODUCTION

Mr. Chairman and members of the Subcommittee on Foreign Operations, my name is Robert E. Mathe. I appear before you today as Senior Vice President of PRC Engineering and Chairman of the American Consulting Engineers Council's (ACEC) International Engineering Committee. ACEC is a professional association of 4,500 independent engineering firms, with nearly 130,000 professional, technical and support personnel providing consulting engineering and related professional design services to public and private sector clients across the nation and around the world. The International Engineering Committee (IEC), composed of 166 firms practicing consulting engineering in the international marketplace, is the largest committee within ACEC and is active in many areas of international trade policy and business practise. Our primary goal is to increase the United State's share of international consulting services in the most professional and economic manner.

KEY POINTS

- o Our foreign trade competitors are playing under a different structure and by different rules. Consequently, the U.S. must be more aggressive in meeting their challenge.
- o ACEC urges the United States to adopt a coordinated and integrated trade promotion program, one which operates through close private/public sector support and cooperation.
- o The U.S. Trade and Development Program should play an important role in a coordinated and integrated national export program.
- o The Agency for International Development (AID) should also play an important role in U.S. trade promotion; To do so there must be a balanced approach to the development process: Its basic human needs program must be balanced by an adequate economic development program.

- U.S. Executive Directors' offices in the Multilateral Development Banks must play a more active role in U.S. trade promotion.
- While the Exim Bank has taken a positive approach to establishing credit programs for the export of services, the financing under these programs is often not competitive in the international marketplace.
- In trade promotion there is need for a team effort and for a clearinghouse for U.S. financing of development projects.

WHAT DO CONSULTING ENGINEERING FIRMS DO

Consulting engineering firms perform studies, prepare plans, design and oversee the construction of structures and facilities, and assist in their maintenance and operation. Such firms are usually composed of professional personnel of a wide variety of disciplines, including civil, electrical, mechanical engineers, architects, hydrologists and other specialists. Internationally they ~~play~~ an active and important role in the planning, design and execution of development projects.

At the earliest stage in the project development cycle, consulting engineers often work for ministries of planning or national planning offices to prepare sectoral studies or master plans for the logical development of economic sectors. These plans usually analyze existing problems, evaluate needs and identify projects which may be desirable to overcome the perceived problems or meet the needs of a sector.

In the next stage, consulting engineers conduct prefeasibility and feasibility studies; these studies are usually performed for a ministry or agency responsible for a sector and include the review of various project alternatives and conceptual designs, having as their objective the definition of the specific project solution which is most appropriate technically, economically and financially. Feasibility studies explore potential problem areas and provide enough detail to show how the project would be carried out, the schedule, costs, benefits, method of financing and organizational strengthening. they serve as the basis for project appraisal by clients, and the international financing institutions.

The preliminary design developed by consulting engineers during feasibility studies is usually not sufficiently detailed for use in requesting bids and tenders for the project construction; consequently, consulting engineers are called upon to do the detailed engineering and design which results in the plans, specifications, general and special conditions and other documents required for bidding the job. At this stage the consulting engineers also provide their clients with estimates of construction costs for comparison with bids which will be received. Also at this stage, consulting engineers may be retained to assist their clients in prequalifying contractors, assisting with the bidding process, evaluating bids received and recommending the contract award.

During construction, consulting engineers provide services which assist the client in monitoring the work, ensuring that it is carried out in accordance with the plans and specifications and performed on schedule and within the project budget. Services may also include contract administration, review of contractor's progress payments, claims analysis, final inspection and acceptance, start-up operations, and the training of engineering managers, operations and maintenance personnel.

The period involved from master plan through construction of a development project is normaly 6-8 years, but may vary widely depending upon the specific nature of the project and political, economic and financial factors. While not always the case, consulting engineers are often retained throughout the development cycle; hence, a firm that obtains an early assignment on a project has a good chance of continuing on that project until completed.

CONSULTING ENGINEERS PROVIDE OPENING WEDGE FOR EXPORT

In the industrialized nations of the world, consulting engineering services are recognized as the "opening wedge" of export expansion programs. Although the fees for engineering services are generally only 6 to 12 percent of the total project cost, they have a compounding multiplier effect on the subsequent export sales of manufactured equipment and goods many times the actual value of the engineering services. A Price Waterhouse study on this subject is included for the committee record.

Because consulting engineers are responsible for the design and preparation of plans and specifications, they are directly involved in determining the kind of materials and equipment that will ultimately be used in a project. Consulting engineers do not normally specify only one brand of equipment, preferring to specify several makes that would perform within an acceptable range. This fosters competitive bidding and enables the client to make the specific choice, with price and other factors considered. However, when plans and specifications are prepared by American consulting engineers, the experience, language, sizing, drawing, and design techniques make it easier for American manufacturers, contractors, and builders to successfully bid on the project.

Thus, from an export standpoint, consulting engineers perform a vital "opening wedge" function in that they are the first to come into continuous contact with the client. They guide the future direction of the project, and, by extension, influence the origin and flow of imported products and materials in the host country.

WHY DO WE NEED COORDINATED AND INTEGRATRED TRADE PROMOTION?

In a recent paper done by the International Engineering Construction Industry Council (IECIC), composed of ACEC, The National Constructors Association (NCA), The Associated General Contractors (AGC) and The American Institute of Architects (AIA), it was stated that the U.S. share of the international design and construction market has declined by almost half in the past decade. Foreign governments are increasingly subsidizing their architectural/engineering/construction (A/E/C) firms in third country markets, which is making it more difficult for U.S. A/E/C firms to compete overseas. Moreover, foreign governments are also excluding U.S. firms through preferential treatment to their companies. In addition, foreign A/E/C firms are gaining a foothold on business in the United States.

In terms of the value of total foreign awards, the share of the international market obtained by the U.S. A/E/C industry has declined from over 50 percent in the mid-seventies to less than 30 percent in 1985. All signs indicate that this slide will continue. Several factors figure prominently in this decline including increased competition from foreign A/E/C firms due to export subsidization and improved technology, the global recession including the Third World debt crisis, and the strong dollar. The net result is that U.S. firms generally are not awarded foreign projects unless they have had longstanding relationships with foreign countries and clients, or an ever-diminishing technological advantage. On the domestic front, there have been numerous mergers, acquisitions, and joint ventures since 1978 by foreign A/E/C firms that have significantly increased their share of the U.S. market.

Given the decline in worldwide construction projects, particularly in the developing countries, competition is increasing for international contracts. Because of the importance of exports of construction services and follow-on equipment sales to their economies, many foreign countries offer a variety of financial subsidies (direct and indirect) to their domestic firms. Since U.S. A/E/C firms do not have access to similar subsidies, they find themselves at a significant disadvantage when competing with foreign companies and, in effect, foreign governments in third country markets. In addition, foreign governments are offering low cost export financing for projects in the United States.

These export subsidies include the following:

- export credits and grants for feasibility studies and bid proposals.
- government guarantees on bid bonds and performance bonds and guarantees against the loss of bids, including in some cases 50 percent government reimbursement of the cost of feasibility studies and bid proposals.
- export credits blended with foreign aid to provide loans at very low interest rates. This is one of the more detrimental subsidies. Mixed credits are used most fre-

quently by foreign governments to help their exporters win projects in the power, transportation, and communications sectors. While efforts have continued in an international forum (the OECD) to limit mixed credit subsidies, little progress has been made. The United States A/E/C industry has consistently called for further restrains on mixed credits. Some in the industry have suggested that the GATT would be more effective than the OECD in limiting this practice.

- government risk sharing -- official export credit agencies regularly guarantee varying percentages of a contractor's profit if the export content of a contract equals a certain percentage of total contract volume. Government insurance or reinsurance of commercial and political risks for overseas contracts might also fall into this category. Such guarantees or government backing of exported services may provide firms with unfair advantages over their competitors.
- discriminatory taxes on profits of foreign firms or on imports of goods and services place foreign contractors at a disadvantage vis-a-vis local firms.
- corporate tax exemptions on export sales and tax holidays (exemptions) for exported capital goods and building materials used on foreign projects. In some cases, tax exemptions or rebates are designed to offset costs incurred by firms as a result of double taxation by exporting and importing countries.

HOW WELL DOES THE U.S. RESPOND?

I would like to address my comments today towards four key organizations with which consulting engineers have had direct practical experiences. These include the Trade and Development Program, The Agency for International Development, the Export-Import Bank, and the Multilateral Development Banks (MDB). Outside ACEC, I do not believe that you will find in any other one organization as many firms who utilize these programs.

THE U.S. TRADE AND DEVELOPMENT PROGRAM

For our profession, the U.S. Trade and Development Program (TDP) constitutes a uniquely bright spot on the international horizon. In establishing the former Reimbursable Development Program of AID as an independent agency under the International Development Cooperation Program (IDCA) with a mandate to involve the private sector, the Congress made one of the most effective and productive moves in the trade promotion field in the last five years. And the Reagan Administration decision to retain TDP, in light of other cost reduction efforts under Gramm-Rudman, is prime evidence that The Trade and Development Program is indeed working well and considered a unique and effective way to conduct foreign assistance. We firmly believe that TDP should play an increasingly important role in a coordinated and integrated national export policy. In our opinion, it is a rising superstar on America's export promotion team.

In today's practice of engineering, the firm which initially obtains a feasibility study is usually favored for the follow-on detailed engineering contract. The follow-on contract usually involves design and the preparation of detailed plans and specifications of a project, but increasingly nowadays it may also include involvement in project implementation. In value, follow-on contracts are three to five times the size of feasibility studies and they constitute the major engineering aspect of project development. They are the bread and butter of the engineering profession. But since they follow and are often a direct outcome of feasibility studies, consulting engineering firms consider the obtaining of feasibility study contracts vitally important to their economic interest.

This is also why the Trade and Development Program is so vitally important to the U.S. international consulting engineering profession and to a successful U.S. export trade policy. There are many examples that illustrate how assistance in financing foreign project feasibility studies has enabled U.S. firms to obtain studies which otherwise would have been lost to foreign firms. In turn, these studies have led to major engineering contracts and subsequently to increased business for U.S. constructors and manufacturers. In some cases the multiplier effect has been astonishing being several hundredfold over the initial TDP outlay. As a typical example, an initial investment of $50,000 brought follow-on services and products back to the United States of nearly seventeen million dollars.

In a word, Mr. Chairman, the consulting engineering profession, despite current budget cutting-efforts now underway in the United States, is very pro-TDP. We are familiar with the concept of cost-effectiveness and we believe TDP is by far the most cost-effective U.S. export trade program in being or even on the horizon. It is small, decisive, action-oriented and uses its limited budget with great perceptiveness and precision. We would very strongly support an increase in funds available to TDP, along with allowing TDP to roll-over, re-invest, or re-coup some of its outlays so that TDP's overall effect might be multiplied. And we say this while fully supporting strenuous attempts to cut back on overall spending by the government. Our reasons are obvious--the argument for the economic return to this nation on such TDP spending is export productive.

AGENCY FOR INTERNATIONAL DEVELOPMENT

While the consulting engineers applaud the Congress and Administration's efforts to reduce trade and budget deficits, we are frustrated with the uncoordinated multiplicity of government programs and the inconsistant manner by which they attempt to support businesses overseas. It is just this uncoordinated multiplicity of good intentions which hinder consulting engineers and business as a whole and reduces our countries international competitiveness. Sitting in the middle of this mish-mash of complex incongruities is the Agency for International Development (AID). While AID espouses that its programs serve to accelerate U.S. economic growth and production, AID does not appear to be part of America's trade promotion team.

I believe we all understand and support the primary goals of AID: "to meet the basic human needs of the world's poor, and to assist the people of the less developed countries to help themselves through creation of effective economic and social policies which encourage the development of local private enterprise, the participation of American business with local institutions, the transfer of appropriate technology and the reliance upon private voluntary organizations." Commonly known as AID's "Four Pillars," ACEC endorses these worthy goals.

In achieving AID's goal we do not believe that supporting the developing world over the interests of the U.S., and at the expense of U.S. business, is wise. An example of this is Title XII, Section 1202 of the International Security and Development Cooperation Act of 1985 (HR.1555) which passed Congress and was signed into law last July. As established, this law authorizes firms from what are described as "Advanced Developing Countries with capability" to compete with equally capable U.S. engineering firms for procurement under AID Foreign Assistance Programs.

Frankly, we cannot understand the purpose or the reasoning behind this law. Why should the U.S. taxpayers provide a market for subsidized quasi-governmental firms from foreign countries so that they can compete unfairly with U.S. firms? It seems to us that this defeats both efforts to reduce the trade deficit as well as the U.S. budget deficit. We believe that AID must play a greater role in promoting rather than reducing U.S. business in the global marketplace.

We would also ask that in your subcommittee's deliberation over funding AID programs, you seriously consider whether AID over the last dozen years has met its goals for international development through the Basic Human Needs (BHN) approach adopted in 1973. Let me reiterate that ACEC supports BHN. The supplying of health care, education and other basic human needs must most assuredly play an integral part in a country's social development. But what about economic development? What about the infrastructure required to ensure and support BHN. How can a country develop without a basic transportation system--roads, railroads, ports and airports. How can public health be assumed without satisfactory water and sewer systems? How can agriculture in arid regions be productive without irrigation systems? We firmly believe that AID needs to take a more balanced approach to development.

While the U.S. AID program is providing social welfare, the recipients of our social largesse are obtaining subsidized financing from other countries for their infrastructure development. While our AID funds have little economic return, our foreign competitors continue to develop substantial exports of goods and services. Is it any wonder why we are having balance of payments problems?

AID must become a factor in this country's struggle for exports. To do so it must change. It must begin to visualize the importance of developing this country's role in establishing the infrastructure and the industry needed by the countries we are helping. It must also begin to recognize its role as part of the American team competing with the rest of the world for market share. We strongly suggest trade promotion as a fifth pillar to balance AID's structure and to formally make it part of America's trade promotion team. Today our AID program appears to be completly divorced from the reality of a sky rocketing inbalance of payments. Should it stay that way? We don't think so.

MULTILATERAL DEVELOPMENT BANKS (MDBs)

A recent committee print entitled "Dealing With Debt, Rekindling Development: The U.S. Stake in the Performance of the World's Development Banks," sums up very well why the U.S. should continue to play a major role in the MDB's, and I quote:

> "Our generosity in financially supporting these institutions has been a major factor in creating our own prosperity since World War II. Failure to understand that fact has led too often to the mistaken perception that contributions to the World Bank, IMF and the Regional Development Banks are a financial sacrifice on the part of the United States. They are not. Instead, it is clearly the case that without these institutions and their achievements, we would as a nation be far less prosperous than we are today."

ACEC concurs with this statement and believes the past should serve as a prologue to an even more significant future role in preserving and expanding prosperity throughout the world.

U.S. consulting engineers have played a very important part in this prosperity. They have led the way to performing the studies, developing the plans and assisting in the operation and maintenance of thousands of development projects throughout the world. But today the situation has changed. Because of the worldwide economic crisis, the MDBs are financing far fewer capital projects and placing much of their funding in structural support loans, rather than project loans, maintenance rather than new construction loans. The international competition for the remaining engineering opportunities has become fierce and is truly being fought on a national level. Other countries are using their offices in the MDBs to foster export of goods and services, and they have been successful in eroding away a large segment of our former business. We must fight fire with fire, taking maximum advantage of the U.S. presence and ownership in the MDB's to at least maintain, if indeed not improve, our market share.

In this regard, ACEC believes that the U.S. Executive Directors in each of the MDB's must play a more active role in trade promotion. Like AID officials, they must also see themselves as part of the American team. U.S. Executive Director's offices must become a cooperative source of market intelligence for U.S. firms. ACEC supports the Commerce Department's Office of International Major Projects Initiative to place a Commerce Trade Development Liaison Officer in each of the U.S. Executive Director's offices; and We support legislation which has been introduced in the Senate by Senators Bingaman and Danforth which emphasizes the commercial duties of United States diplomatic missions and the promotion of procurement opportunities by U.S. Executive Directors offices in the MDBs. We believe these measures are essential for U.S. trade promotion and would go a long way toward meeting the competition.

EXPORT-IMPORT BANK OF THE UNITED STATES

The last organization which I would like to bring to the Subcommittee's attention is the Export-Import Bank. Many of our members have taken advantage of Exim's direct credit programs, more recently the Engineering Multiplier Program. The Engineering Multiplier Program is the first Exim program specifically aimed at helping U.S. consulting engineers win projects overseas. The program is directed to project-related feasibility studies and pre-construction design and engineering services. Exim offers medium-term, fixed interest rate direct loans to support up to $10 million of services for projects with potential for procurement of U.S. equipment and services worth $10 million or twice the amount of the original contract. The loan will cover 85% of U.S. costs and will give a financial guarantee for local costs up to 15% of the eligible U.S. costs. As you can imagine, our industry was very glad to see the program established back in the fall of 1984. Thirty preliminary commitments with a value of $68 million have already been given under this program. Applications for $30 million more are pending. And while the number of commitments converted to loans has been small, the commitments themselves and just the availability of U.S. financing have been helpful in securing some engineering assignments in competition with firms from other countries. As with all direct credit programs, the bank is extremely cautious regarding the credit-worthiness of the foreign borrowers or buyers. This is as it should be, but more often than not, consulting engineers are working in the developing third world countries that the bank does not consider a proper risk. Consequently, in many cases, consulting engineers cannot take advantage of the Engineering Multiplier Program. To be most helpful in export promotion, we would like to see the Exim establish a special facility or relax its lending requirements for the Engineering Multiplier Program. Since consulting engineers provide the opening wedge in development programs, in many cases the engineering studies are performed at the inception of economic upturns. Economically risky countries need feasibility studies and preliminary engineering plans to obtain subsequent financing from the MDBs. The U.S. should assist these countries when they really need help--either in the form of AID grants, higher risk loans from Exim, or mixed credits. This grant-end, high-risk economic arena needs your attention because we feel it has major long term economic benefits to the U.S. Regarding the continued operations and organizations of the Exim Bank, ACEC strongly supports continuation of this export promotion agency, and is opposed to eliminating the direct credit programs and replacing them with what is being called I-Match II. By taking these programs off-budget we agree with the Congressional Budget Office that the programs will actually cost more. Instead of eliminating the Exim Bank, we need to get serious about using this invitation to assist the private sector in promoting U.S.

exports. During the past year, the Congress has been deliberating a one-time $300 million mixed-credit program, to compete for certain overseas projects. We don't object to this effort, but we consider this an uncoordinated band-aid approach. How can the U.S. compete with a $300 million warchest against Japan's nearly $3 billion annual mixed-credit program. It is our understanding that Japan has used $250 million in mixed-credits for a single project in one country. Instead of establishing a special fund to finance a handful of exports, we would prefer that such funds be made available for longer range existing programs--through the TPD, AID, and Exim--to provide the needed money, the opening wedge for economic development in the world's neediest countries.

Finally, Mr. Chairman, I wish to express my appreciation again for allowing the American Consulting Engineers Council to testify at these hearings. As I believe I have illustrated, our member firms are the core users of many of the programs which you are considering throughout your hearings, yet our members are increasingly frustrated with the barriers that prevent us from fully taking advantage of them. We are not necessarily asking only for increased funding for these programs. We fully understand the constraints under which the Congress and the Administration are acting. We wish Congress and the President every success in balancing the federal budget and in reducing our growing trade deficit and we stand ready to be of assistance. We only ask for a coordinated, and integrated approach to a trade promotion program which operates through close private/public sector support and cooperation. I will be glad to answer any questions you might have for me.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

Z. MICHAEL SZAS, EXECUTIVE VICE PRESIDENT, NATIONAL CONFEDERATION OF AMERICAN ETHNIC GROUPS, INC.

Mr. OBEY. Next is Mr. Z. Michael Szas, National Conference of American Ethnic Groups.

Mr. SZAS. Mr. Chairman, thank you for providing me the opportunity to testify before your subcommittee. I must have been here now six times, every year. I remember Chairman Long and his usual exchanges with me on Somalia. He must like Somalia very much.

I testify on behalf of the National Confederation, but I also have a contractual relationship with the Somali Embassy, so I have to say that. But even if I did not, I would testify the same.

The fiscal year 1986 allocation for Somalia fell almost 40 percent as compared to fiscal year 1985. Both ESF and MAP funds were severely reduced, creating various problems for the government. The protocol finally signed with the IMF by the Somali Government was based on the expectation that aid levels similar to that of fiscal year 1985 would be forthcoming. So they have the shortfall of roughly about $12 million in MAP and $10 million in ESF.

During 1985, 120,000 new refugees arrived, many of them no longer ethnic Somalis from the Ogaden, but Oromos and other ethnic groups from Ethiopia, including some Tigreans who are escaping the relocation drive by the Mengistu government. The average influx in the last few months was again about 6000 a month.

The reductions in fiscal year 1986 were a mixture of the overall reduction of the ESF and MAP aid by Congress and the administration's preoccupation with fulfilling the requests of other countries outside of Africa.

The imbalance created is well noted by the administration, which for the fiscal year 1987 submitted budgetary requests for sub-Saharan Africa which would restore the cuts, and in the case of Somalia, the administration proposes the restoration of the fiscal year 1985 levels if their general African request is accepted.

However, we are aware that because of Gramm-Rudman, Congress will not be able to raise foreign aid levels significantly. Therefore, much as I would like to support the administration's request, I realize the unlikelihood of its passage. Therefore, I would like to suggest that the subcommittee raise the overall allocations for Africa somewhat and add report language that would point to the special needs of Somalia.

The language could be as follows, and this is just a suggestion:

> Because of renewed refugee influx and the IMF protocol, Somalia is facing great austerity measures this year. It is recommended that the special situation in Somalia be taken into consideration in allocating aid amongst the countries of Africa.

It is at least my opinion, which is widely shared in academic circles, that Somalia finds itself on the back burners of our policy making for the past three years as there were no immediate crises connected with that country. Yet, such benign neglect is ill-advised, for a number of strategic, political and even humanitarian reasons.

One, Somalia is now our last ally on the Horn as the situation in the Sudan is unstable and tilting toward Libya and Ethiopia. At the same time, Somalia, under the Berbera Agreement, is providing facilities for forward positioning of material and, in case of war or international emergencies, also bases for the RDF.

Two, Somalia carries a tremendous refugee burden. Out of her population of 6.5 million, there are 830,000 refugees in the camps, and about one million more in the country, living separately or with their various clans. This economic and social burden of the refugees render Somalia a special case even in Africa, where refugees abound.

Three, Somalia is still threatened by the Ethiopian army, which had in 1982 invaded Somalia and still holds two towns. Another incursion in 1983 was beaten back by the Somali Defense Forces. The Somali Defense Forces have not been reequipped by us, and MAP and earlier FMS aid was restricted to take care of some of the most extreme emergencies in telecommunications and infantry weapons.

While in 1981 a high State Department official had estimated the cost of a reequipped Somali Defense Forces to the United States of $500 million in five years, in the intervening five years we spent only a little less than $100 million in FMS and MAP programs for Somalia.

Four, while Somalia has little choice in the case of Ethiopia, with which it has a major problem in the Ogaden where the majority of the ethnic Somalis had lived and some of them still live, this is not the case with Libya, with which, under Arab League pressure, they have restored relations in the fall of 1985.

Mr. Chairman, it is up to the United States Congress, especially this subcommittee, to determine future foreign aid levels to Africa in general and Somalia in particular. May I ask for consideration of report language and somewhat higher amounts of aid levels despite the impact of Gramm-Rudman. Other allies get many hundred millions, or even two to four billions in foreign aid, but Somalia, despite its friendly relations and strategic importance, has to appeal even for the aggregate help of about $75 million. That does not include the United Nations refugee aid, but it includes everything else.

May I insert into the record my article "Extend the Reagan Doctrine to the Horn of Africa," which has appeared in the New York City Tribune in April. I gave it to the subcommittee in about 18 copies, so I would like to have it inserted.

[The prepared statement of Z. Michael Szaz follows:]

TESTIMONY
BEFORE
THE HOUSE SUBCOMMITTEE ON FOREIGN OPERATIONS

by

Z. MICHAEL SZAZ, Ph.D.
EXECUTIVE VICE PRESIDENT
NATIONAL CONFEDERATION OF AMERICAN ETHNIC GROUPS, INCORPORATED

ON
WEDNESDAY, APRIL 9, 1986

WASHINGTON
DISTRICT OF COLUMBIA

Mr. Chairman! Thank you for providing me with the opportunity of testifying before your Subcommittee. I am testifying on behalf of the National Confederation of American Ethnic Groups, but as you know, I also have a contractual arrangement with the Embassy of Somalia in regard to their foreign aid levels.

FY 1986 allocations for Somalia fell almost forty per cent, as compared to FY 1985. Both ESF and MAP funds were severely reduced creating various problems for the government. The protocol finally signed with the IMF was based on the expectation that aid levels similar to that of FY 1985 would be forthcoming.

Doring 1985 about 120,000 new refugees arrived, many of them no longer ethnic Somalis from the Ogaden, but Oromos and other ethnic groups from Etbiopia, including some Tigreans who areescaping the relocation drive by the Mengistu government. The average influex in the last few months was about 6,000 per month.

The reductions in FY 1986 were a mixture of the overall reduction in ESF and MAP aid by Congress and the Administration's preoccupation with fulfilling the requests of other countries, most of them outside of Africa.

The imbalance created is well noted by the Administration which, for FY 1987 submitted budgetary requests for Sub-Saharan Africa which would restore the cuts, and, in the case of Somalia, the Administration proposes the restoration of the FY 1985 levels if their general African request is accepted by Congress.

However, we are aware that because of the Gramm-Rudman Act Congress will not be able to raise foreign aid levels significantly. Therefore, much as like to support the Administration's request, I realize the unlikelihood of its passage.

Therefore, I would like to suggest that the Subcommittee raise the overall allocations for Africa somewhat and add report language that would point to the special needs of Somalia. The langauge could be as follows:

> Because of renewed refugee influx and the IMF protocol, Somalia is facing great austerity measures this year. It is recommended that the special situation in Somalia be taken into consideration in allocating aid among the countries of Africa.

It is at least my opinion which is widely shared in academic circles that Somalia finds itself on the backburners of our policy making for the past three years as there were no immediate crises connected with that country.

Yet, such "benign neglect" is ill-advised for a number of strategic and political and even humanitarian reasons.

1. Somalia is our last ally on the Horn of Africa as the situation in the Sudan is becoming unstable and tilting toward Libya and Ethiopia, At the same time, Somalia, under the Berbera Agreement, is providing facilities for forward positioning of material and in case of war or international emergencies, also bases for the RDF. She deserves our assistance.

2. Somalia carries a tremendous refugee burden. Out of a population of 6.5 million, there are 830,000 refugees in the camps and about one million more in the country living separately or withtheir various clans. The economic and social burden of the refugees render Somalia a special case even in Africa where refugees abound.

3. Somalia is still threatened by a well-armed Ethiopian army which had, in 1982, invaded Somalia and still holds two Somali towns. Another incursion in 1983 was beaten back by the Somali Defense Forces. The Somali Defense Forces have not been reequipped by us and MAP (and earlier FMS) aid was restricted to take care of some of the most extreme emergencies in telecommunications and infantry weapons.

While in 1981 high State Department officials had estimated the cost of a reequipped Somali Defense Forces to the United States to $500 in five years, in the intervening five years we spent only a little less than $100 million in FMS and MAP programs for Somalia.

(4) While Somalia has little choice in the case of Ethiopia with which it has a major problem in the Ogaden where the majority of the ethnic Somalis had lived, and some of them still live, this is not the cae with Libya with which, under Arab League pressure, they have restored relations in the fall of 1985.

Mr. Chairman! It is up to the United States Congress, especially this Subcommittee, to determine the future foreign aid levels to Africa in general, and Somalia in the particular for FY 1987. May I ask for consideration of a report language and somewhat higher amounts of aid levels despite the impact of Gramm-Rudman. Other allies get many hundred millions, or even two to four billions in foreign aid, but Somalia, despite ist friendly relations and strategic importance, has to appeal even for an aggregate help of about $75 million.

May I insert into the RECORD my article "Extend the Reagan Doctrine to the Horn of Africa" which has appeared in the New York City Tribune on April , 1986?

Z. MICHAEL SZAZ

At the Horn of Africa, Anti-Soviet Rebels Need Help Too

Z. Michael Szaz is a Washington-based foreign-policy commentator.

Since the 1960s the Soviet Union considered the Horn of Africa a strategic region, control of which by Moscow would outflank Egypt and the pro-American monarchies of the Gulf region.

The volatile character of the region resulted in a change of allies for the Soviet Union and the U.S. in 1977. In that year, Col. Mariam Mengistu of Ethiopia chose Moscow over Washington and welcomed not only Soviet, East German and Cuban instructors, but also 22,000 Cuban troops and $3 billion worth of Soviet arms shipments.

Control of Ethiopia and South Yemen at the Bab el-Mandeb Straits gave the Soviet Union an excellent springboard toward the rest of the Horn region and Eastern Africa.

The victory in Ethiopia was, however, followed by a change in Somalia which had been a Soviet ally since the late 1960s. Somalia would not accept a confederation with Soviet-backed Ethiopia and its armed forces had to be defeated by the 22,000 Cuban mercenaries in 1978 which drove the Somalis out of Western Somalia, the Ethiopian Ogaden province.

These events persuaded President Jaafar Nimieri of Sudan to establish closer links with both Cairo and Washington.

By 1981 a certain balance was struck in the Horn area between the two superpowers. While Ethiopia remained within the Soviet sphere, its government was faced with an insurgency in the province of Eritrea which had been fighting for its independence since 1963 and an anti-government uprising in the northern Tigray province. In turn, Sudan and Somalia became virtual American allies establishing a counterpoise to Ethiopia and South Yemen.

The balance was never fully accepted by the USSR. Ethiopian forces invaded Somalia in July 1982 and still hold two Somali town occupied. Only an American airlift of weapons to the Somali defense forces redressed the balance.

While the United States has been providing Somalia with considerable refugee aid (Somalia has 830,000 refugees in camps) and some development aid, liberal opposition in the House has prevented the rearmament of the Somali Defense Forces and large-scale economic aid. In 1981 State Department sources estimated the cost of the rearmament of the Somali armed forces at $500 million over five years. In the last four years our military assistance to Somalia amounted to less than $100 million and during the present fiscal year, to $20 million. Economic aid was never increased over $30 to $35 million and this year it has been reduced to $19 million.

This rather ambivalent U.S. attitude toward Somalia is based on the perception by the State Department's African Bureau and the Subcommittee on Africa in the House that Ethiopia could be weaned back by aid offers and by keeping a hands-off attitude toward Somalia.

Besides humanitarian considerations, this was the logic behind the enormous food aid to Ethiopia when famine struck. In 1985, over $200 million in emergency food aid was sent to Ethiopia (compared to $14 million for Somalia). Most of this aid reached only areas controlled by Mengistu and some of it was diverted to enable the Mengistu government to "relocate" the population of the rebellious provinces of the north. When the French humanitarian group, "Doctors Without Frontiers," was expelled from Ethiopia, they reported that the loss of human life in the "relocation" process into the swampy southern provinces was as heavy as the famine itself. Despite occasionally unfavorable publicity, the State Department even now opposes Congressional efforts to declare Ethiopia a Communist-controlled country. Yet Mengistu proclaimed years ago his adherence to Marxism-Leninism and he has established, under Soviet pressure, a Communist Party with links to the Communist Party of the Soviet Union.

The State Department's policy on Ethiopia is bankrupt. It only resulted in the insurgents' perception of the U.S. humanitarian agencies as handmaidens of the Mengistu regime. Now the insurgents are even killing World Vision employees. The policy did not prevent the continuation of the insurgencies in Ethiopia or the Sudan and it is time to replace it with a comprehensive policy toward the Horn states and extend the Reagan doctrine to the Horn.

The policy resulted in a deterioration of our situation in the region. Of all the states, only Somalia remains a friendly country. Even in Somalia, however, President Siad Barre had expressed his dissatisfaction in public and has recognized the government of his archenemy, Colonel Muammar Qaddafi.

The State Department also cut drastically Somali aid for Fiscal Year 1986. Forty percent of the economic support fund and the same amount of military assistance were cut and there is no chance of recouping any of this aid in Congress this year. In the meantime, President Barre entered into an agreement with the IMF calling for severe austerity measures which cannot be implemented without a restoration of U.S. aid to the 1985 level. This is our policy toward our only ally on the Horn which should be changed forthwith.

In the Sudan, we face a critical situation. President Nimieri's turn to Islamic fundamentalism upset the balance of forces in the Sudan leading to a potent revolt in the Christian and animist south in 1984 and to a coup against him in his absence in 1985. The new government is unable to make peace with Col. Garang, the leader of the Sudanese rebels. And who is funding, equipping and assisting the rebels? Col. Mengistu and his forces in Ethiopia. In the meantime, the weak military regime in the north is distancing itself from the United States, letting Libyan terrorists into Khartoum and is purchasing two Soviet bombers from Libya in its fight against the rebels. The Soviets cannot lose in either case. In the interim, we extend large scale economic aid to the Sudan hoping that the final solution will be in our favor.

It is time to extend the Reagan Doctrine to the Horn and restore sufficient aid to Somalia, enter into covert agreements with the Eritreans and the Tigreans in order to counterbalance the deterioratig situation in the Sudan and ensure that our friends are reassured of our support in Khartoum. Otherwise, we will see a debacle in the next two years that will cost us all of the region.

Mr. **Obey**. Thank you.

Mr. McHugh.

Mr. **McHugh**. I have no questions. Thank you, Mr. Szaz.

Mr. **Obey**. Thank you.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

WILLIAM REINKE, CHAIRPERSON, INTERNATIONAL HEALTH SECTION, AMERICAN PUBLIC HEALTH ASSOCIATION

Mr. **Obey**. Next Mr. William Reinke, Chairperson of the International Health Section of the American Public Health Association.

Mr. **Reinke**. Thank you, Mr. Chairman and members of the subcommittee. I am William Reinke, Professor of International Health at Johns Hopkins University, here on behalf of the American Public Health Association and its national and affiliate membership of 50,000 individuals.

I am joined at the table here by Richard Gilbert, who is Director of State and Local Affairs, Government Relations, of the American Public Health Association.

The numbers, the statistics on child mortality and morbidity and disability are certainly appalling, but we don't need to take our limited time here to go over them. The causes of this unfortunate situation are many. Fortunately, I think, the Congress in recent years has wisely chosen to focus attention on a few of the major causes of this problem: first of all, control of diarrheal diseases.

As we meet here today at this moment, there are probably about 15 million children suffering from diarrhea. Two years ago, before the Child Survival Initiative really got into full swing, I would have predicted that of these 15 million, 75,000 would die before the week is out. The situation is not quite that bleak today because of oral rehydration therapy and the program that has been mounted under the Child Survival Initiative, but the rates of mortality are still too high.

The second area, of course, is immunization, which is moving front and center in our attention, and although the momentum for immunization is still building, impressive inroads have already been made, and the striking thing about this, I think, is the earnest attempt on the part of multiple organizations—for example, the attempt being made to eradicate polio in the Western Hemisphere by 1990—with assistance from organizations as diverse as Rotary International, U.S. AID, Panamerican Health Organization and others.

And then, of course, malnutrition is a problem that is gaining increasing attention. The particular consideration here is that malnutrition, when combined with the specific problems like diarrhea and pneumonia, exhibits very dramatic interactive effects. These diseases are much more serious in the face of malnutrition.

Unfortunately, dealing with these interactive effects takes ample resources and sustained effort. That sustained effort is only possible through strong local organizations, which to our view means that institution building is accordingly an important time-consuming task that deserves even higher future priority in U.S. AID assisted countries.

Prospects of this, in spite of the magnitude of the problem, are not entirely bleak. The interventions are of proven cost-effectiveness. A child can be protected against the six major diseases at a cost of immunization as low as $5.00, and as national governments recognize this fact, they are adding more of their own resources, and probably more encouraging as I move around the world are the numerous efforts to devise mechanisms whereby local communities that are benefiting from the services can and are more and more supporting those services themselves.

So in summary, as far as the present situation is concerned, we confront problems that, while afflicting millions, can be measurably reduced through allocation of relatively small proportions of foreign aid monies. This is made possible not only by the efficacy of the interventions but by the broad base of support provided for them by international agencies, including World Health Organization, UNICEF, World Bank, private voluntary organizations, host government and private sector organizations within the host countries, and finally, of course, the local communities and beneficiaries themselves, as I mentioned.

While convinced of the merits of what I say, I am somewhat hesitant to preach to the converted. Evidently, the Congress, too, has seen the merit and has played a leading role in initiating and in ensuring United States participation in the child survival movement. Despite administration requests for a smaller health budget in 1985, the Congress recognized the advances in international health and established the Child Survival Fund.

Rather than accepting the conclusions of the Congress, the administration proposed for 1986 to abolish the Child Survival Fund and to return to prior funding levels. Again, congressional initiative was required to identify child survival as an important component of the United States foreign policy and it granted adequate funding.

For 1987 the administration has come around to supporting the retention of the Child Survival Fund but is not proposing funding commensurate with the indicated importance of the effort. The proposed reduction in funding for the general international health account is likewise ill-advised, in our opinion. It appears that it may take another year of congressional assistance before the United States international health activities, including child survival, receive without unwarranted attack the funding they deserve.

The examples cited point out the use of international health funds. We believe that the funds appropriated for health should be at least $200.8 million, the same as last year. Additionally, Congress should add funds to its Child Survival Fund to sustain its efforts and continue to concentrate on the most needy segments of our population, mothers and children. Therefore, we believe funding for the Child Survival Fund should be increased to $75 million in anticipation of the Universal Child Immunization Act, which would certainly be a most cost-effective measure.

This level of funding will also provide needed sources for that Immunization Act.

Finally, APHA believes that the AID Population Account should be funded at least at the $290 million level. The AID population activities effectively promote and deliver family planning programs around the world.

Thank you for providing the American Public Health Association this opportunity to testify today.

[The prepared statement of William Reinke follows:]

Testimony before the House Appropriations Subcommittee on Foreign Operations

April 10, 1986

Statement of

William A. Reinke, Ph.D
Professor
School of Hygiene and Public Health
The Johns Hopkins University

on behalf of

The American Public Health Association
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CHILDREN: A FRAGILE RESOURCE FOR THE FUTURE

Thank you for the opportunity to represent the American Public Health Association before your Subcommittee today. I am William Reinke, Professor of International Health at the Johns Hopkins School of Public Health. I am also the current Chairperson of the International Health Section of the American Public Health Association. APHA represents a combined national and affiliate membership of over 50,000 community health leaders and health professionals.

The Issue

The statistics are becoming familiar but they are no less unfathomable and appalling. There remain many countries of the Western world in which one-third of those born fail to survive to school-age. Each year an estimated five million children become handicapped by disease, much of which is preventable. About 140 million are malnourished to the point where physical and mental growth are in jeopardy and therefore future productivity is compromised. Faced with such obstacles to development, these countries can hardly be expected to become self-supporting, dues-paying member of the world economy any time soon.

The Strategy for Meeting the Issue

What are the causes of the problem? There are many, of course, but the Congress in recent years has wisely chosen to focus attention on a few that we can really do something about. As we meet here today 15 million children suffer from diarrhea. Two years ago I would have added that 75,000 of these would die of dehydration before the week was out. This week, however, many will receive oral rehydration salts at pennies per packet and consequently regain their health. This is because of the initiation of diarrheal disease control programs launched through the Child Survival initiative. Nevertheless the number who will not be reached and will die remains unnecessarily high.

As control of diarrhea gains momentum, the challenge of immunization moves front and center. Of the five million deaths annually from immunizable diseases, half are due to measles which causes untold disability and permanent handicap as well. Although the momentum for immunization is still building, impressive inroads are already being made. An earnest attempt is being made to eradicate polio, another crippling disease, from the Western Hemisphere before the present decade ends. With the help of organizations ranging from Rotary International, to USAID, to the Pan American Health Organization, we have every reason to believe that the objective will be reached.

With respect to malnutrition, a single problem, vitamin A deficiency, is estimated to cause 500,000 blindnesses each year. The additional problem with this and protein-calorie malnutrition is that they lead to devastating results when diseases such as diarrhea and pneumonia strike malnourished children. Thus, while the strategy of tackling a few priority problems at a time is essentially sound, we much proceed on a broad enough front to cope with these interactive effects. Unfortunately this takes ample resources and sustained effort. That sustained effort is only possible through strong local organizations. Institution-building is accordingly an important, time-consuming task that deserves even higher future priority in U.S. AID-assisted countries.

Prospects are hardly bleak, however. The interventions we speak of are proven cost-effective. A child can be protected against six major diseases, for example, at a cost of immunization as low as five dollars. As national governments recognize this fact they are adding more of their own resources. Perhaps more encouraging are the numerous efforts to devise mechanisms whereby local communities benefitting from the services can support those services themselves.

In summary, we confront problems that, while afflicting millions, can be measurably reduced through allocation of relatively small proportions of foreign aid monies. This is made possible not only by the efficacy of the interventions, but by the broad base of support provided for them by international agencies, including the World Health Organization, UNICEF, and the World Bank, private voluntary organizations, host governments and private sector organizations within the host countries, and finally by local communities and beneficiaries themselves. Thus, U.S. funding for these programs has provided a crucial base of support and in addition has had a significant multiplier effect.

Response of Congress

While convinced of the merit of what I say, I am somewhat hesitant to preach to the converted. Evidently the Congress, too, has seen the merit and has played a leading role in initiating and in ensuring United States participation in the Child Survival movement. Despite Administration requests for a smaller health budget in 1985, the Congress recognized the advances in international health and established a Child Survival fund in the Agency for International Development to highlight the importance of these advances.

Rather than accepting the conclusions of the Congress, the Administration proposed for 1986 to abolish the Child Survival Fund and to return to prior funding levels. Again Congressional initiative was required to identify child survival as an important component of U.S. foreign policy and to grant it adequate funding.

For 1987 the Administration wishes to retain the Child Survival Fund, an encouraging sign of its widely recognized value. It is rather disturbing to note, however, that funding is not proposed commensurate with the indicated importance of the effort. The proposed reduction in funding for the general international health account is likewise ill-advised in our opinion. It appears that it may take another year of Congressional assistance before the United States international health activities, including child survival, receive without unwarranted attack, the funding they deserve.

Specific Recommendations

The examples cited through this testimony point out the use of international health funds. We believe that the funds appropriated for health should be at least $200.8 mil., the same as last year.

Additionally, Congress should add funds to its Child Survival Fund to sustain its efforts and continue to concentrate on the most needy segments of our population--mothers and children. Therefore, we believe funding for the Child Survival Fund should be increased to $75 mil. to partially meet this crucial need. This level of funding will also provide needed resources for the proposed Universal Child Immunization Act which would fund initiatives in developing countries aimed at fully immunizing children against killing diseases. At the present time, less than 20 percent of children in developing countries are fully immunized.

Finally, APHA believes that the AID population account should be funded at least at the $290 mil. level. AID's population activities effectively promote and deliver family planning programs around the World.

Thank you for providing the American Public Health Association with this opportunity to testify today.

Mr. Obey. Thank you very much.

Mr. McHugh.

Mr. McHugh. I have no questions, but I thank you very much for being here.

Thursday, April 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

SHARON L. CAMP, PH.D., VICE PRESIDENT, POPULATION CRISIS COMMITTEE

Mr. Obey. Dr. Sharon Camp, Vice President, Population Crisis Committee.

Ms. Camp. Thank you very much. I appreciate very much the opportunity to present testimony today on behalf of the Population Crisis Committee. My name is Sharon Camp, and I am PCC's Vice President for Public Policy.

Let me start by saying that I admire your stamina for sitting through this day of hearings. I hope that I am near the end of the line and that you don't have too much further to go.

We are certainly aware that there are many knowledgeable members of the subcommittee who share PCC's concerns over certain aspects of the current Administration's management of the U.S. population assistance program, and I want to add that we are grateful to the subcommittee members for their continuing interest in the program, for their willingness to defend it within the Congress, and for their specific interventions to attempt to correct problems in the Administration's policies.

We realize that in the sometimes supercharged atmosphere which has surrounded population programs in recent years, this effort has not been easy nor very pleasant. I'd like to assure you that it has been fairly successful, however.

Population assistance programs are alive and kicking, if somewhat battlescarred, and I think their survival is due in no small part to Congressional efforts.

In my prepared testimony, I have listed the litany of assaults on the population program in recent years, many of them initiated from within the Administration, and also the Congressional reaction to those actions. If you look at that history, I think you will see that Congress has won those policy battles by a margin of about two to one. And as it has for the last 20 years, through both Democratic and Republican administrations, Congress has successfully protected the population program.

I believe it would be tragic if your subcommittee, whether disheartened by the recent level of controversy around the program, or simply distracted by the larger budgetary issues, were to abandon this essential leadership role.

Let me attempt to clarify something about the Administration's position on this program. AID officials continue to claim, despite this rather depressing history, that the Administration really is strongly in favor of family planning programs. I don't think that those claims are meant to be insincere. But the point is that the Administration has always been of more than one mind about international family planning.

There are, as one of my colleagues says, scattered like raisins through rice pudding, people in the Administration who remain ideologically opposed to this program, whether because they see population trends as irrelevant to development issues, because they believe that capitalism is the best contraceptive, or because they are morally opposed to the use of artificial birth control. They don't represent the majority, and there is a considerable cadre of people within the Administration who are continuing to work hard to hold the program together.

My point is that it has been Congressional backing for the program which has, in the balance, enabled these Administration supporters to contain the damage from the various assaults on the program, and with increased Congressional appropriations in fiscal years 1984 and 1985, to actually move ahead in a number of important areas.

I have to say, however, that this situation is unlikely to last. The program cannot long sustain continued political battering and deep funding cuts. This year the program will have $56 million less in new budget authority. This is almost a 20 percent cut as a result of lower appropriations, Gramm-Rudman reductions, and transfers to other accounts.

The Central Office of Population will be this year more than $40 million short of funds needed to meet existing grant and contract commitments. This office, which spends approximately half of the population budget, is the major source of funding for professional, private family planning organizations, and these are, in turn, and always have been the repository of specialized expertise for both public and private sector family planning programs abroad.

Their projects are highly cost-effective and innovative, and in many countries they are more acceptable to the public than direct government-to-government assistance would be. Many of these projects simply will not survive another major reduction in fiscal year 1987, in part because of the way the Administration has allocated the population account, an allocation which tends to favor the government-to-government programs.

We recognize that it is unrealistic this year to expect that Congress would restore population assistance funding to its fiscal year 1985 level of $290 million, but we hope that for the development assistance accounts generally, the subcommittee would use as its baseline its own Fiscal Year 1986 recommendations and would make, if necessary, only modest cuts to those.

In the case of population assistance, we would hope that the subcommittee would take into account the nearly 20 percent cut which the program has already undergone in fiscal year 1986.

We would also hope that the subcommittee might consider some measure to ensure that any additional cuts to the population assistance account result in reductions in government-to-government programs and not in support for the more effective or cost-effective and innovative private sector family planning organizations.

Thirdly, we would hope that the committee would monitor closely the Administration's deliberations over fiscal year 1986's U.S.

contribution to the U.N. Fund for Population Activities. The Administration has given the Kemp-Inouye-Helms amendment contained in the '85 supplemental appropriation and the '86 continuing resolution a highly restrictive interpretation. This interpretation may well result in no U.S. contribution to the UNFPA this year. Such an outcome would have political repercussions well beyond the levels of assistance to UNFPA's 115 country recipients.

Following on our statements at the International Population Conference, characterized as supply-side demographics, and our defunding of the International Planned Parenthood Federation at the end of 1984, the U.S. withdrawal from the UNFPA would certainly signal to others, both donors and developing country leaders, that we are willing to abandon international family planning to accommodate political pressures at home.

In summary, we believe that the 20-year U.S. commitment to population assistance remains in some jeopardy. If new controversies arise this year—and it seems inevitable that they will, given the determination of a small but relentless group of program opponents—then the Administration's very tentative support for the program could well begin to dissolve.

Those in the Administration who have and continue to struggle to hold that U.S. commitment together need and deserve this key subcommittee's continued strong support.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Sharon Camp follows:]

Sharon L. Camp, PhD.
Vice President
Population Crisis Committee

Statement to the Subcommittee on Foreign Operations
House Appropriations Committee

April 10, 1986

Chairman Obey, committee members, thank you for the opportunity to present testimony today on behalf of the Population Crisis Committee. My name is Sharon Camp and I am PCC's Vice President for Public Policy.

PCC is a private non-profit organization which has, since its establishment in 1965, been a leader among population organizations in efforts to strengthen political and financial support for family planning overseas. Our work involves high-level advocacy at home and abroad to increase government commitment and also selective support of innovative private family planning programs in developing countries. It is perhaps important to state that we receive no US government money for any part of our programs. Thus, while we may express strong opinions about the direction of US population assistance, these comments are not motivated by any fiduciary interest in the program.

I am aware that many knowledgeable subcommittee members share PCC's concerns over certain aspects of current executive branch management of the US population assistance program. Those of us who work in the population field are grateful to subcommittee members for their continuing interest in the program, for their willingness to defend it within Congress and for specific interventions to correct problems in administration policies. We recognize that in the sometimes supercharged atmosphere surrounding international family planning programs over the last several years, this effort has been neither easy nor pleasant. But it has been fairly successful. US population assistance programs are for the moment alive and well, if somewhat battlescarred. And their survival is due in no small part to congressional efforts. That, Mr. Chairman, is the most important point I want to make today. Congress can and has -- for most of the last 20 years -- successfully protected the population assistance program from misguided executive branch policies, under both Democratic and Republican Administrations. It would be tragic if this subcommittee, disheartened by the recent level of controversy or distracted by larger budgetary issues, were to abandon its essential leadership role. Let me illustrate the importance of congressional involvement by quickly summarizing, telegraph style, the current Administration's missteps in the population policy area and congressional reaction.

- Early in President Reagan's first term, a proposal by OMB to eliminate population assistance from the President's FY 1983 budget request. Later reversed by Administration pragmatists under congressional pressure.

- A parallel year-long effort by Under-Secretary of State James Buckley (later to head the official US delegation to the UN population conference), to discredit population aid and overturn established aid policies. Sidetracked by family planning supporters in the Administration supported by Congress.

- A subsequent tendency to peg budget request levels below prior year congressional appropriations. Generally ignored by Congress.

- A multi-year shift in funds away from multilateral programs and large grants or contracts to professional family planning organizations operating in 70-some countries to generally less cost-effective government programs in a shrinking number of countries (down to 26 in FY 1986). Opposed by Senate and House authorizing committees in FY 1984 and FY 1985 in amendments and report language earmarking funds for multilateral and nongovernmental programs.

- A 20-fold increase between 1980 and 1985 in funds allocated to natural family planning, that is methods which rely on sexual abstinence, and first-time AID grants to natural family planning groups actively hostile to other family planning methods. Grants temporarily blocked and eventually conditioned by Congress to prohibit the use of AID funds for anti-contraception campaigns.

- Policy concessions to natural family planning groups refusing to give clients the full information and referrals needed to make informed contraceptive choices. Reversed by Congress in the FY 1986 Continuing Resolution.

- An official statement to the Mexico City International Population Conference characterizing rapid population growth as largely irrelevant to Third World development problems. Openly challenged by six-member bipartisan congressional delegation attending the Conference.

- A sweeping new set of restrictions on eligibility for US population assistance designed to deny family planning support to any multilateral or foreign nongovernmental organization which supports, directly or indirectly, any type of abortion information or service and the end of 17 years of US support to the 119-member International Planned Parenthood Federation. Opposed by the House in the FY 1985 Continuing Resolution and the Senate in the FY 1986 foreign aid authorization, resulting in some moderation in the policy's implementation.

- A six-month holdup in US contributions pledged to the UN Fund for

Population Activities for 1984 and a $10 million cut to the UNFPA pledge for 1985, initiated by the Administration but later blamed on congressional action under the Kemp-Inouye amendment. In 1985 Congress considered no less than eight amendments dealing with support for population organizations working in China, in the end disposing of all but the Kemp-Inouye amendment.

Despite this history of assaults on population assistance, AID officials continue to claim the Administration is strongly in favor of family planning programs. Those who make such claims are not insincere. Unfortunately, the Administration has been of more than one mind about international family planning. Within the executive branch are political appointees who are ideologically opposed to population aid, because they believe "capitalism is the best contraceptive" or because they think contraception is immoral, or both. Although they do not represent the majority, they have been in a position to generate considerable mischief in league with anti-family planning pressure groups on the outside. Congressional backing for the program has, on the other hand, enabled supporters in the Administration -- both political appointees and technical staff -- to contain the damage and, with increased congressional appropriations, to move ahead in some areas.

But this situation may not last. The program cannot long sustain both continued political battering and deep funding cuts. This year the program will have $56 million less in new budget authority -- almost a 20-percent cut -- as a result of lower FY 1986 appropriations, Gramm-Rudman reductions and transfers to other accounts. Staffing in Washington and many field missions is in danger of dropping below the critical mass of expertise necessary to maintain quality programming. In part because the 28 bilateral programs have had first call on scarce funds, the central Office of Population will this year be more than $40 million short of funds needed to meet existing grant and contract commitments. The Population Office is the major source of support for professional family planning organizations which are in turn the repository of specialized expertise for both public and private programs. Their projects are highly cost-effective, innovative and in many countries more acceptable to the public than government efforts. Many of these projects will not survive another major reduction in funds in FY 1987.

We recognize that it is unrealistic this year to expect Congress to restore population assistance funding to the FY 1985 appropriation level of $290 million. We understand that foreign aid programs must contribute their fair share to deficit reduction. But for the development assistance accounts generally, we hope that the subcommittee will agree to no more than modest FY 1987 cuts below the subcommittee's FY 1986 recommendations, as reported out of full committee. In the case of population assistance, we hope the committee will take into account the magnitude of the FY 1986 cut contained in the continuing resolution and also the fragile nature of the Administration's support for the program. Program proponents within the Administration need a strong show of support from Congress if they are to sustain a US commitment to international family planning.

We also hope that the subcommittee might consider some measure to ensure that any additional cuts in population assistance result in reductions to government programs and not in support for private sector family planning organizations or the UN Fund for Population Activities. Multinational and nongovernmental channels reach over 100 countries; government-to-government programs reach a third that number. One does not solve world population problems by working in only a tiny fraction of the countries wanting and needing assistance. Nongovernmental programs in particular remain at the cutting edge of family planning in most developing countries.

Finally, we hope that the subcommittee will monitor closely Administration deliberations over an FY 1986 US contribution to the UN Fund for Population Activities. The Administration has given the Kemp-Inouye language, contained in the FY 1985 supplemental appropriation and the FY 1986 continuing resolution, a very restrictive interpretation. This interpretation may well result in no US contribution to UNFPA this year. Such an outcome would have political repercussions well beyond the levels of assistance to UNFPA's 115 country recipients, affecting both donor and Third World government perceptions of US commitment to population work. Following on our statements at the International Population Conference and our defunding of the International Planned Parenthood Federation, US withdrawal from UNFPA would certainly signal to others our willingness to abandon international family planning to accommodate political pressures at home.

It is clear, however, that the American public generally opposes efforts by anti-family planning groups to dismantle US population assistance. Although Congress may perceive that Americans do not readily support foreign aid, opinion polls indicate that they do support a number of specific development measures, such as those to alleviate hunger, improve child health, curb rapid population growth and so forth.

A 1984 Gallop survey found that 9 out of 10 Americans believe rapid population growth hurts economic development overseas and support foreign family planning programs. When asked to react to the level of current US support for overseas family planning, less than 10 percent believed we were spending too much; 40 percent thought our contribution about right; 35 percent thought we were spending too little. Interestingly, the same survey found only 34 percent of Americans in favor of military assistance.

A 1985 survey by Louis Harris found basically the same pattern: 78 percent of Americans favor US population assistance, while only 19 percent oppose it. The Harris survey indicated that even among older Americans, those with less than a high-school education, those who categorized themselves as conservatives and those who categorized themselves as born-again Christians, two-thirds or more supported population assistance.

Surely in a foreign affairs budget which, even under the worst scenarios, will exceed $10 billion, we can afford to give adequate support to some of those foreign aid measures which Americans strongly support.

In summary, we believe that the 20-year commitment to US population assistance remains in jeopardy. If new controversies arise this year, and it seems inevitable that they will given the determination of a small but relentless group of program opponents, the Administration's tentative support for the program could well begin to dissolve. Those in the Administration who struggle to hold that commitment together need and deserve this key subcommittee's continued strong support.

Mr. OBEY. Thank you. Mr. McHugh.
Mr. McHUGH. Thank you very much.

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

WALLACE J. CAMPBELL, PRESIDENT, CARE, NEW YORK CITY, NEW YORK

Mr. OBEY. Next, Mr. Charles Sykes, Director, Washington Liaison Office for CARE.

Mr. CAMPBELL. Charlie is in Africa. Today I believe he's in Somalia, probably in Somalia, although he may be in Mozambique reviewing these programs.

Mr. McHUGH [presiding]. It's good to have you here with us. I'm delighted to welcome you.

Mr. CAMPBELL. Thank you. For the rest of the people who may not know, I am Wallace Campbell, President of CARE, and am completing my 40th year on the Board of Directors of CARE.

Incidentally, there will be a Congressional breakfast on the 8th of May, celebrating the 40th anniversary of CARE, and we wish to invite the members of the committee to break bread with us.

Mr. McHUGH. Thank you very much. I'm sure most of us would be delighted to do it, if not each and every one.

Mr. CAMPBELL. Thank you.

Mr. McHUGH. It's a marvelous record, not only for the organization, but your own record is just magnificent. So, we are delighted that you are here and look forward to your testimony.

Mr. CAMPBELL. Thank you very much.

Mr. McHUGH. Let me apologize for the Chairman. He has an appointment today with the Rules Committee and is necessarily jumping up and down to see if he has to run up to the Rules Committee. So, we're sorry if he has to step out, and I hope you can appreciate the problem he has.

Mr. CAMPBELL. Well, the Rules Committee's decisions on some of these things are highly important, and I am glad to make what they say in baseball as a sacrifice hit.

In connection with the testimony, which I hope will appear in full in the record, it will say quite a number of things that are essential for the committee staff to know in terms of the details of the legislative program. I would like, however, to summarize, and part of the summary has been done already.

We had a very interesting witness who talked about Somalia. CARE has been handling the logistics for all of the foodstuffs going to refugees in Somalia for about 100 other private voluntary organizations under arrangement with the High Commissioner for Refugees, and when I was there about a year ago, I visited several of the camps, and the program is going very well, and it is under direction of private U.S. organizations of which CARE is a key factor, and the program is going very well.

I would like to summarize very briefly, but point out that the testimony on the Child Survivor Program is very important and that CARE has, as one of its basic programs, a mother and child health program, which includes the child survivor four elements which are an essential factor also of the UNICEF program.

In the overall operation, CARE this last year has distributed $352 million worth of food, medical supplies, development equipment and services. This was done on a cash income from contributors of $37 million, so you can see, we distribute almost ten times as much value as we get from the contributors who have been making contributions averaging $25 a contribution. This is an amazing record, because this means a million people are sending us contributions each year to support this kind of work, which is a constituency for the foreign aid program in its broader ramifications.

These programs that CARE undertakes are best known for our work in crises like the earthquake in Mexico, the volcano in Columbia, and, of course, the very great program in Africa to meet the famine problem.

These we are proud to do. But even more important than meeting those immediate urgencies are the matter of helping people to help themselves, so that when this crisis is over, they can take care of themselves. This means sending tools, providing village water systems and small irrigation systems, undertaking agricultural roads so that farmers can get their foodstuffs into markets, undertaking providing tools, fertilizer, and other equipment for agricultural production in small units where it's consumed, and not interfering in any way with the American agricultural export, which we feel we have stimulated, because we have brought people into the market for food who were completely outside the market before.

Our most dramatic new program is one that we call agroforestry, because it combines forestry and agriculture. We are planting trees in 23 countries. We probably planted 15 or 16 million trees this last year and expect to continue at that pace.

We started this program in Mali and Chad on a fairly modest basis. When the AID officials saw the effectiveness in holding the land in place and increasing productivity of the land through trees dropping their leaves and creating a better soil, providing some shade for the animals and things of this kind, AID came in and said, "We will match your program up to $2.6 million, if you will raise that amount from your contributors for this program."

Somebody in the New York office turned out a beautiful phrase, "CARE for the Earth," and with that as our slogan, we went to our regular contributors, and we got the $2.6 million contributed to match AID's amount put in. So we are doubling AID's effectiveness in that particular situation.

And this year, after we had used the $2.8 million, AID came through with a recommendation that we ask for, and they gave us, some $8 million for our agroforestry program, which is particularly important in places like the Sahel area in Africa and in Haiti, where we are planting trees. Probably a million trees have been planted in Haiti. We have three young foresters who are providing the technical assistance for the local people, and it's a real self-help program.

The reason I'm talking at some length about the development aspect is that, number one, this is the most important function that CARE does in addition to our relief and refugee programs, but also because we are in partnership not only with USAID where we are securing matching grants for quite a number of our programs, but we also work very closely with the U.N. High Commissioner for Refugees, the World Food Program, the FAO, and other organizations in the multilateral section.

So we have a program going which we feel is so important that we urge that the recommendations made by the Administration this time—their numbers turned out to be very good, and the recommendations that this committee made last year, which are almost identical, and we would urge that the committee make this recommendation for this year.

It is often said that there is no constituency for international economic, humanitarian, and security assistance. There is, but it hasn't been mobilized effectively, and there are millions of people out there who have never told their Congressmen that they believe in helping people to help themselves and that there is support for this kind of a program.

I think CARE is only one of the many organizations that are doing work of this kind and that have constituencies that want to do things.

You heard testimony this morning from Mr. Dean, representing the organization of cooperatives working in the international field. This is a constituency. There are millions of members of electric cooperatives and of credit unions and of agricultural cooperatives who are working overseas, whose people are working overseas, who understand and support these programs.

So it is our urgent appeal to the committee to stand firm on what it recommended last year, which is practically identical with the recommendations made by the Administration. So this gives a good bipartisan approach to one program that I think is fundamental to the American people, because unless we have people who are economically self-sufficient, who feel that they have hope for developing a better situation for themselves, unless we have that kind of development in the less developed countries, we will lose the security that is essential for a peaceful world.

So I hope that you will stand by these programs that are so essential in that field.

I have one other thing, Mr. Chairman. I don't know if anyone has time for it. Our archivers, looking at the 40th anniversary, found some pictures of the first distribution of CARE packages in Europe in 1946. These are supplemented by some photographs which I think I can leave with the Committee, which illustrate the beginning of the agro-forestry program in Mali, which is a desert country, if you ever had one. The women of Bangladesh working in jobs where they had never had paying jobs before. Finally, the refugees receiving assistance in Somalia.

Mr. Chairman, I appreciate the response of this Committee. We will try to see that what your Chairman said earlier this afternoon is carried forward. We must lobby on both sides of this program to see that there is support and there are funds to do this kind of a job. I can tell you that we and our associates are working on that.

[The prepared statement of Wallace J. Campbell follows:]

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STATEMENT OF WALLACE J. CAMPBELL

PRESIDENT OF CARE

before the

HOUSE APPROPRIATIONS COMMITTEE

FOREIGN OPERATIONS SUBCOMMITTEE

APRIL 10, 1986

Mr. Chairman, thank you for the opportunity to appear before the House Foreign Operations Subcommittee today. My name is Wallace J. Campbell, and I am President of CARE.

CARE is celebrating its 40th anniversary this year with commemorative activities that include a Congressional Breakfast on May 8th. I hope you will attend. Today CARE is the largest private non-sectarian organizations in the world. Total CARE USA program activities were $325 million in 1985 and CARE Canada, CARE Germany and CARE Norway added another $14 million. Now CARE France, CARE Britain and CARE Italy are also providing several millions of dollars of additional assistance. We carry out relief, rehabilitation and development projects in 38 developing countries with a staff of nearly 5000 people.

Combined management and fund-raising costs represent less than 5.9 per cent of the total value of the goods and services we deliver, but fund raising costs are increasing. Federal budget retrenchment has already brought sky-rocketing costs to direct mail fund raising. The different categories of federally subsidized third class non-profit mail rates have gone up between 45 and 68 per cent since the beginning of the year. Last year, before the rate hikes, CARE's postage costs totalled $1.26 million.

In carrying out these programs, CARE works closely with the U.S. Agency for International Development often through matching grant agreements. This linking of CARE's privately raised donor funds with U.S. Government grants can leverage additional assistance for important and mutually agreed upon projects. Matching grants under the Agricultural account for example have helped CARE to develop the world's largest agro-forestry program (Agro-forestry is the growing of trees and agricultural crops or livestock on the same plots of land. This increases food, fuel and income for farmers and herders while preventing soil erosion through sustainable land management strategies.); carry out a national education program with America's farm community entitled "Sharing Global Harvests: The Kinship of Farmers", and increase the primary health care impact of CARE's food aid with new design elements (child care education, oral rehydration therapy and immunizations, family food production) and management support activities (staff training, evaluation, computerized logistics and inventory control).

Recently CARE was also awarded AID's first Partnership Grant: a five year, $8.5 million matching grant funded under the Energy, Private Voluntary Organizations and Selected Development Activities Account that will establish regional technical assistance teams to support micro-enterprise development, primary health, and agro-forestry projects worldwide.

We are greatly concerned with how FY87 foreign aid appropriation levels will affect the level of effort of CARE and other voluntary organizations and cooperatives in designing viable and effective poverty focused project assistance. Direct, highly participatory project assistance through non-government channels is a very cost-effective use of foreign assistance dollars. Indeed in two African countries, Congo and Comoros Islands, CARE's presence acts as a substitute for an AID mission which cannot be economically maintained in these small but poor countries.

Of continuing importance are PL 480 food aid and grants provided through AID's Title II office and the Office of Foreign Disaster Assistance for hiring trucks and paying fuel and related costs to transport urgently needed food in Africa. Beyond this, most U.S. matching support to CARE is provided under the bilateral Agriculture (103), Child Survival (104), and the Energy, PVOs and Selected Development Activities (106) account. I want to underscore the importance of these bilateral development assistance accounts which are the cornerstone of our worldwide partnership with the Agency for International Development.

At the same time, it is important to point out that the concerns of our organization extend beyond our project activities. CARE's publicly stated purpose is both "to help the developing world's poor in their efforts to achieve long term social and economic well being" and to "advocate public policies and programs that support these ends". It is with this guidance in mind that I appear before you today to present our views on matters of funding under this Committee's jurisdiction.

CARE believes it is important to tie U.S. foreign aid spending to accomplishments of poor nations and international organizations in meeting basic needs and overcoming key development problems. Fortunately the United States is not alone in this effort, but when the net flow of resources between developed and developing countries is reversed (as it is today) and more capital both human and physical leaves poor nations than enters from the West, our leadership is needed. We are concerned that low foreign aid appropriations coupled with protective earmarks for politically more popular accounts could further reduce aid flows to the poorest nations and to the the poorest members of such societies. Similarly, the valuable work of international organizations like UNICEF and UNDP is jeopardized by current Administration recision requests and proposed FY87 funding cuts.

We believe the United States should rank better than 16th out of 17 Western nations in providing foreign economic assistance (measured in percent of per capita GNP), and it is disturbing that we are now a fairly minor donor in several of the world's poorest countries, and in many important international organizations and programs. This diminished commitment to development assistance programs is, in our opinion, short-sighted. Nor is it altruism that persuades us of the importance of foreign economic assistance. We are convinced that healthy economies and equitable economic development are key to effective U.S. security and trade policies.

Accordingly, we urge the Committee to support bilateral and multilateral development assistance at the FY87 levels proposed by the Administration. Unfortunately, the Administration's FY87 request for International Organizations and Programs and for the U.S. bilateral health account would drop below current spending and below the levels approved by this Committee for FY86. We believe these accounts should be funded at the levels the Committee agreed on last year. At that time we felt that some bilateral programs deserved more support from this Committee, particularly agriculture and refugee assistance accounts, but we did appreciate the Committee's appropriations mark for the international financial institutions and international organizations and programs, and look for similar leadership again this year. In our opinion, such funding would reflect the values and expectations of the majority of American people in providing foreign aid.

We realize that the Senate and House Budget Committees are under pressure to make deep cuts in the overall (150) international affairs account from current FY86 levels, and are proposing that costly new initiatives be funded from existing funds. But CARE believes that these proposed reductions should not apply to bilateral and multilateral development assistance programs. Development assistance has already been cut to the bare minimum. Since 1970 bilateral and multilateral development aid has declined by 50 per cent in constant dollars, and further cuts could do irreparable damage to the programs and institutions the United Sates helped establish and to the quality of life and opportunities of millions of overseas poor.

I observed that the FY87 alternate budget of the Congressional Black Caucus to which Congressmen William Gray and Julian Dixon belong, reaches a similar conclusion. The Black Caucus alternative proposes to provide increased funds for African food, refugee and economic assistance and continues funding levels for multilateral banks at $1.4 billion. It proposes limited increases in development assistance programs including Peace Corps, and retains baseline funding for international organizations.

In closing, Mr. Chairman, I want to reiterate my belief that there is an untapped public constituency for these poverty focused programs. We know this from experience. We have worked with the American farm community for the past three years in our development education program and have been inspired by the depth of their understanding and commitment in spite of their own economic hardships. Last year CARE received over $40 million in public donations from over a million concerned Americans. We stand ready to work with Congress in whatever way we can to continue to build this support.

A SAMPLING OF CARE PROGRAMS

INDONESIA: CARE is helping local residents install gravity-flow water systems, family pit latrines and waste-water drainage systems. In another area, residents are instructed on the proper cultivation and uses of the multi-purpose, fast-growing Leucaena tree as part of an agroforestry project.

SUDAN: A new type of fuel-efficient, wood-burning stove that can easily be produced and marketed locally is being tested in the province of Korofan.

BELIZE: CARE is training fishermen in deep-sea fishing techniques, loaning them deep-sea fishing equipment, purchasing a training vessel, setting up workshops and seminars on the subject and assisting with monthly radio programs on Radio Belize on topics relating to the fishing industry.

SIERRA LEONE: CARE is facilitating construction of hundreds of miles of rural roads to allow farmers better access to markets.

PERU: CARE works with local residents to provide comprehensive urban services to selected shantytowns surrounding Lima and Trujillo. The project includes reforestation, a health outreach program and construction of classrooms, sanitary facilities and health centers.

CAMEROON: Dozens of covered water wells with hand-operated pumps are being are being constructed to improve access to clean, potable water.

CONGO: CARE is helping establish a seed multiplication center to produce, harvest and dry improved varieties of peanut, rice and corn seed for use by local farmers who will work with each other to improve agricultural techniques.

Also in the Congo, CARE has assisted development of a primary health care program that trains village health workers in proper family planning, birthing practices, immunization programs and related activities.

LESOTHO: CARE works with thousands of women who have formes village cooperatives to produce high-quality handspun mohair yarn for local consumption and export.

EGYPT: CARE assisted in construction of communal shelters for fishermen living in small boats in remote corners of Lake Nasser and assisted them in the irrigation of small vegetable gardens to supplement their food supplies and grow trees.

PHILIPPINES: CARE is sponsoring a school nutrition program that provides over a half-million children with milk and soy-fortified flour used to prepare bread rolls called "Nutribuns."

FACTS ABOUT CARE

1986

When CARE was founded 40 years ago, the letters stood for Cooperative for American Remittances to Europe. The name the has changed to Cooperative for American Relief Everywhere which better describes the organization's expanded interests. Today, with programs reaching 35 countries on three continents, Latin America, Africa, and Asia, CARE is the largest nonsectarian, nongovernmental, nonprofit development and relief organization in the world.

One of the most enthusiastic purchasers of CARE packages was President Harry S. Truman, who paid $1,000 in 1946 for 100 packages to be sent overseas. The first such packages contained canned meat and beans, seedless raisons, dried figs, sliced bacon, coffee, egg powder, milk powder, honey, sugar and flour. The first CARE packages were delivered at LeHavre, France on May 11, 1946 to the survivors of World War II. The last was delivered in 1967 -- more than 100 million packages later.

CARE's oldest active programs are in Bangladesh (East Pakistan when the CARE mission opened) and the Philippines. Both began in 1949.

In 40 years of operations CARE has provided more than $4 billion worth of goods and services to 86 nations and territories on four continents.

In 1985 CARE food programs reached 23,875,000 people in 19 countries. CARE delivered and monitored 611,084 tons of food through supplementary and emergency food distribution and food-for-work programs.

CARE now employs a staff of about 270 at its headquarters in New York and the 13 U.S. field offices. In addition, over 250 more international staff in overseas missions and about 4,000 nationals help oversee hundreds of projects in South and Central America, Africa and Asia. The largest operation is currently in Sudan, where CARE is concentrating on drought-related activities.

Combined management and fund-raising costs represent less than 5.9 percent of the total value of goods and services that CARE delivers worldwide. And because CARE projects are cooperative efforts involving local governments and donated food and supplied, CARE is able to stretch the dollar contribution into $8.12 (1985 figure) in overseas aid.

In October 1985, in ceremonies in Washington, D.C., CARE recieved a Presidential World Hunger Award in recognition of its four-decade-old commitment to developing long-range solutions to the problems of hunger, poverty and disease throughout the world.

CARE operates the world's largest agroforestry program, a relatively new discipline combining aspects of agriculture and forestry to revive overworked or denuded land. Currently there are agroforestry projects in 19 countries throughout the world. Eleven of those are in Africa, where 7.3 million seedlings have been planted through CARE-sponsored projects.

CARE has in its computorized files the names of over 900,000 donors from throughout the United States and Puerto Rico.

CARE International was incorporated on January 29, 1982 to help enlarge CARE's donor base in Europe. Previously CARE consisted of CARE USA and CARE Canada, both of which had been in operation since 1945. Full members of CARE International consist of CARE Canada, CARE USA, CARE Germany, CARE Italy and CARE France. Associate member organizations are CARE Norway and CARE Britain, both of which may soon be assuming full membership.

The passage by Congress in 1954 of Public Law 480 was a milestone for CARE, enabling it for the first time to distribute food commodities overseas in humanitarian programs. Most of CARE's existing emergency food relief, food-for-work and other food aid programs were made possible by this law.

Since CARE's inception the agency has been involved in virtually every field of development and emergency relief. Projects include agriculture and livestock production, water systems (irrigation and wells), education (schools and vocational training facilities), infrastructure building (canals, roads, bridges, homes, food factories and warehouses), health and nutrition (mother-child health clinics, supplementary feeding, vaccinations), natural resources management (forestry, nurseries and terracing), and small enterprise development (credit, co-ops, marketing, craft and product production).

MILESTONES IN CARE'S 40 YEARS

1945	CARE incorporated on November 27, 1945, as a cooperative owned by 22 American organizations.
1946	First CARE packages are delivered in Le Havre, France, on May 11 as relief begins for World War II survivors in Europe. CARE helps feed 3,380,000 people that first year.
1950	CARE develops plow and farm-tool packages as forerunners of today's food-for-work and other self-help programs.
1951	Use of American agricultural surplus food paves the way for massive shared-cost supplementary food programs aimed mostly at malnourished children.
1952	CARE's self-help concept has first major test in Korea where 15,000 refugee families are equipped with tools and seeds.
1954	Congress passes Public Law 480, the "Food for Peace" law, enabling CARE for the first time to sponsor large-scale food assistance programs in the Third World.
1955	CARE phases out several European programs, in accordance with its policy to depart when a country can handle its own problems.
1962	MEDICO affiliates with CARE, adding medical training and treatment programs to help fight hunger, poverty and disease.
1967	School construction starts in Honduras under first signed agreement at the request of a country for shared-cost, self-help partnership projects.
1969	Emergency food helps arrest starvation for Nigeria-Biafra victims; relief continues to refugees in South Vietnam; CARE and MEDICO assist Tunisian flood victims.
1972	CARE moves from massive relief for refugees in India and Bangladesh to self-help reconstruction programs, typifying the "new CARE," a development agency also prepared to rush aid to disaster victims.
1973	In addition to ongoing programs, CARE provides emergency help in 10 countries, including victims of floods in the Philippines, droughts in India and Honduras, and an earthquake in Nicaragua.

Chronology
page two

1975	Thousands of compassionate people eat less and send the dollars saved to CARE's "empty plate" campaign to help relieve the unprecedented world hunger crisis.
1976	CARE rushes into Guatemala only hours after a major earthquake to provide emergency food. Within two weeks self-help reconstruction projects are underway.
1977	CARE Canada, until now an adjunct to CARE USA, is incorporated as a Canadian national organization. The move is the first step in the creation of CARE International, composed of independent national organizations from North American and European nations whose purpose is to expand CARE's resource base, stimulate new ideas in project design and develop new personnel for its overseas operations.
1982	CARE contracts with the U.N. High Commissioner for Refugees and the Government of Somalia to run the government's Emergency Logistics Unit, feeding 700,000 refugees who fled from Ethiopia into Somalia following hostilities between the two countries in the late 1970s. The agreement gave CARE the responsibility for running the day-to-day logistics of getting food to the refugees.
1984	CARE purchases its headquarters building in New York City, saving $1,250,000 annually in rental and other fees. CARE drastically expands its African emergency relief operations throughout the drought-stricken countries in the Sahel.
1985	CARE receives the Presidential World Without Hunger Award for 1985 in ceremonies in Washington, D.C., in recognition of CARE's outstanding role in Third World relief and development assistance.

—30—

Mr. McHugh. Thank you very much for your good statement. You saved me the trouble of conveying the message the Chairman has consistently conveyed, because you have heard it before and have recognized it expressly. As you know, I think the majority of this Subcommittee is certainly very supportive, not only of the programs you are specifically interested in, but of the values which you have expressed and the interest of the United States in these programs and values.

The problem this year, even more so than in the past, is the budgetary problem. We simply have to resolve that larger question, if we are going to have any assurance of protecting programs which really are critically important.

We look to our friends like you who have a great deal of influence and perspective on these things to help us. Everything the Chairman has said, I agree with. There is no need to repeat it, because you heard it and understand it well.

Thank you again for being here today and for the work that you do.

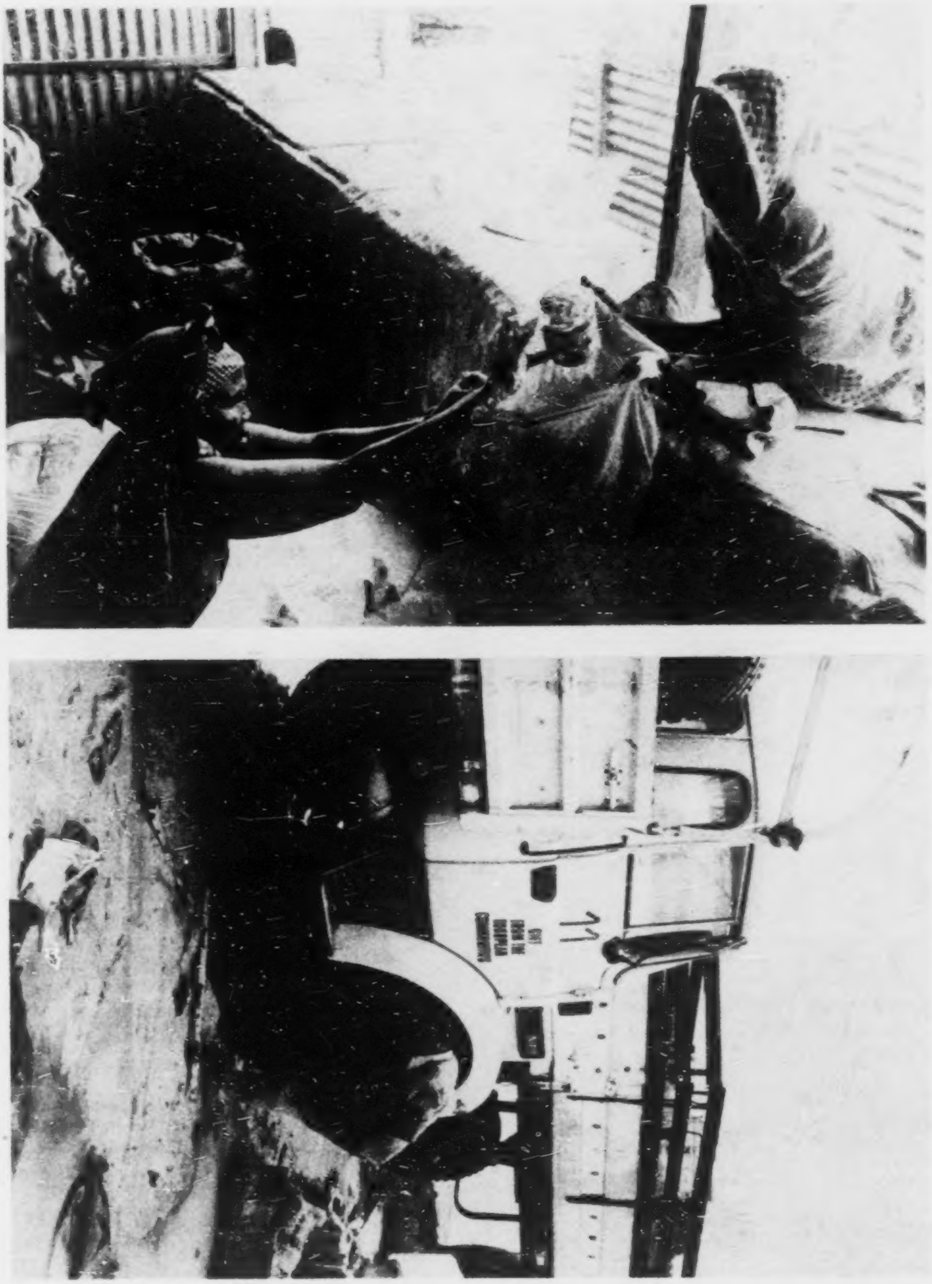
[Note.—The CARE 1985 Annual Report was submitted and has been placed in Subcommittee files.]

[Photographs for record follow:]

BANGLADESH WOMEN—FOOD FOR WORK

WOMEN POWER: A crew of women helps maintain a road in rural Bangladesh. About 32,000 destitute Bangladeshi women without husbands have found full-time employment helping maintain rural roads under a Rural Maintenance Program financed by CARE Canada and administered by the Government of Bangladesh. Approximately 70% of the rural dirt roads in Bangladesh will be maintained by such work crews when the program is fully developed by the end of 1986. The program will eventually employ about 60,000 women who would otherwise have to beg or survive on income from temporary jobs. (CARE photo by Rudolph von Bernuth)

Ethiopian Refugees in Somalia



WELCOME FOOD: An Ethiopian refugee living in one of the 35 resettlement camps in Somalia receives an allotment of food delivered by CARE. An estimated 700,000 Ethiopians fled into Somalia from Ethiopia's Ogaden region when hostilities broke out in the mid-1970s between rebels and the Government of Ethiopia. CARE, at the request of the government and the U.N. High Commissioner for Refugees, took over the day-to-day job of getting the food from the ports to the refugees. Within four months CARE, which became part of the government's Emergency Logistics Unit, could prove that 99% of the food was reaching the people. Today CARE is in the process of turning over the job to native Somalis. (CARE photo by Nick Blair)

CARE—AGRO-FORESTRY IN NIGER

HELP TO FARMERS: A farmer in Niger's Majjia Valley plants his crop next to a windbreak of fully-grown trees planted by local residents under the direction of CARE and Niger's Dept. of Forestry. The rows act as windbreaks which have reduced the effects of wind erosion in this fertile African river valley. Wood from the trees is also a plentiful source of fuel and poles used in local construction. The CARE-supported project, which began in 1974, will eventually encompass some 15,000 acres of land. So far over 250 miles of trees, many of which are now over 30 feet high, have been planted. Crop production has risen over 25 percent as a result of the windbreaks. (CARE photo by Steve Long)

THURSDAY, APRIL 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESSES

ELIZABETH B. SILVERSTEIN, PRESIDENT, THE FOUNDATION FOR THE PEOPLES OF THE SOUTH PACIFIC
FATHER STANLEY HOSIE, EXECUTIVE DIRECTOR

Mr. McHUGH. Our next witness is Elizabeth Silverstein, who is President of the Foundation for the Peoples of the South Pacific, Inc. We are delighted to have you with us.

Ms. SILVERSTEIN. Thank you very much. I am delighted to be here, especially after our big brother, CARE. We are very little in comparison.

Mr. Chairman, I would like to thank you very much for letting us testify here today. I would like to introduce our Executive Director, Father Stanley Hosie.

Mr. McHUGH. Father, welcome.

Mr. HOSIE. Thank you very much.

Ms. SILVERSTEIN. I would also like to give this to you. This is our testimony. I would like to reiterate a little.

We are a New York-based foundation, an American foundation. I thought my accent might confuse the issue a little.

I remember when we first became a voluntary agency. We came down to Washington. It was like the twelve apostles sitting around the table and they looked and they said, we thought this was an American organization.

If there is one policy that distinguishes this Administration more than any other, it is the belief in the private sector. It is the conviction that volunteers, voluntary agencies, non-profit groups supported by the generosity of the American people are the ideal means of solving problems.

This is exactly what the United States has been doing to assist the South Pacific nations since the late 1970's. We have something going in the South Pacific which is unique in the whole world of foreign assistance; a partnership between the United States Agency for International Development, the Peace Corps and voluntary agencies like ourselves, Catholic Relief Services, the YMCA, Save the Children, American ORT, Helen Keller International, International Human Assistance programs and Agricultural Cooperative Development International, which is supporting programs throughout the Pacific Island nations at the village level where more than 80 percent of the people live.

We work with women's groups, grow food, install fresh water tanks and water sealed toilets, promote better nutrition and help small entrepreneurs.

We have had an extraordinary partnership between USAID, ACDI, our own organization, FSP, and the Government of Tonga. With our own organization, we started along with ACDI, a small investment, a fishing crew training program with the Peace Corps and the Government of Tonga, to train boat builders, extension staff and local fishermen. As the fishermen crews were trained and began operating, ACDI helped establish the logistics for transportation and marketing of fish.

Now this relatively tiny program has mushroomed into a multimillion dollar national effort supported by UNDP, FAO, UNICEF, the Japanese Government and the European economic community.

In another few months, we will have 60 boats and 60 fully trained Tonga fishing crews making handsome profits from supplying fish to the Tonga towns and Tonga will be virtually self sufficient in fish.

This is real development. This is exciting self-help entrepreneurship. This is making the aid dollars of the American people cost-effective to the highest degree. This is the kind of foreign assistance I am sure this Congress wants to see continued. We need your help to guide the Administration as it wrestles with ever diminishing financial resources.

Here we have in the South Pacific the most exciting cost-effective partnership with the private sector in the entire spectrum of foreign assistance programs, literally.

The minuscule 1985 USAID Private Voluntary Agency co-financing budget of $3.5 million has been cut to $1.4 million and frozen at that tiny level for the three years, 1986, 1987, and 1988. A cut of nearly 70 percent; possibly the deepest cut of any AID program anywhere in the world.

As you are well aware, the Heritage Foundation had published a major paper warning the United States that it is in danger of alienating the South Pacific nations through neglect and failure to meet the expectations of allies who proved their love for us in World War II.

The Wall Street Journal also just four weeks ago on March 5th devoted its lead front page article to the South Pacific nations with the banner headlines "Restless Region/Long Ignored as Safe/South Pacific Islands Now Vex Washington/A Troubled Area is Resentful Over U.S. Fishing Policy/French Tests of Weapons/The Russian Bear is Flirting."

At the same time, the New York Times of Tuesday, April 8th, just two days ago, is warning us and I quote, "Soviet Seeks a Larger Role in Southeast Asia." The article goes on to describe what Soviet Ambassadors are doing in Palau, Kiribati, and Vanuatu. The Times could have added the key nation of Fiji as I know from a personal visit to the Prime Minister just four weeks ago.

Mr. Chairman, we sincerely hope you and your colleagues will not let this happen. We are seeking a restoration of the $2 million reduction in the PVO/co-financing line item in this year's budget.

As important, by including report language requiring that in the South Pacific budget for fiscal 1987 at least $3 million be added to the currently budgeted $1.4 million for the partnership programs between USAID and private voluntary organizations.

Thank you, Mr. Chairman.

[The prepared statement of Elizabeth B. Silverstein follows:]

STATEMENT
OF
ELIZABETH B. SILVERSTEIN
PRESIDENT
THE FOUNDATION FOR THE PEOPLES OF THE SOUTH PACIFIC

BEFORE THE

HOUSE APPROPRIATIONS SUBCOMMITTEE
ON
FOREIGN OPERATIONS

APRIL 10, 1986

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE:

I AM ELIZABETH SILVERSTEIN, PRESIDENT OF THE FOUNDATION FOR THE PEOPLES OF THE SOUTH PACIFIC. I WOULD LIKE TO THANK YOU FOR GIVING US THE OPPORTUNITY TO TESTIFY TODAY.

I WOULD ALSO LIKE TO INTRODUCE FATHER STANLEY HOSIE, EXECUTIVE DIRECTOR OF THE FOUNDATION.

MR. CHAIRMAN, I HAVE HERE PREPARED TESTIMONY WHICH, WITH YOUR PERMISSION, COULD BE INSERTED IN THE RECORD. I WOULD BE PREPARED TO SUMMARIZE OUR CONCERNS, AT THIS TIME.

MR. CHAIRMAN, IF THERE IS ONE POLICY THAT DISTINGUISHES THIS ADMINISTRATION MORE THAN ANY OTHER IS, IT'S BELIEF IN THE PRIVATE SECTOR. IT IS THE CONVICTION THAT VOLUNTEERS, VOLUNTARY AGENCIES, NON-PROFIT GROUPS SUPPORTED BY THE GENEROSITY OF THE AMERICAN PEOPLE ARE THE IDEAL MEANS OF SOLVING PROBLEMS.

THIS IS EXACTLY WHAT THE UNITED STATES HAS BEEN DOING TO ASSIST THE SOUTH PACIFIC NATIONS SINCE THE LATE NINETEEN SEVENTIES. WE HAVE SOMETHING GOING IN THE SOUTH PACIFIC WHICH IS UNIQUE IN THE WHOLE WORLD OF FOREIGN ASSISTANCE: A PARTNERSHIP BETWEEN THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT, THE PEACE CORPS AND PRIVATE VOLUNTARY ORGANIZATIONS LIKE OURSELVES, CATHOLIC RELIEF SERVICES, THE YMCA, SAVE THE CHILDREN, AMERICAN ORT, HELEN KELLER INTERNATIONAL,

INTERNATIONAL HUMAN ASSISTANCE PROGRAMS AND AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL WHICH IS SUPPORTING PROGRAMS THROUGHOUT THE PACIFIC ISLAND NATIONS AT THE VILLAGE

LEVEL WHERE EIGHTY-FIVE PER CENT OF THE PEOPLE LIVE. WE WORK WITH WOMEN'S GROUPS, GROW FOOD, INSTALL FRESH WATER TANKS AND WATER-SEALED TOILETS, PROMOTE BETTER NUTRITION AND HELP SMALL ENTREPRENEURS. WE HAVE HAD AN EXTRAORDINARY PARTNERSHIP BETWEEN USAID, ACDI, OUR OWN ORGANIZATION, FSP, AND THE GOVERNMENT OF TONGA. WITH A VERY SMALL USAID INVESTMENT THROUGH FSP AND ACDI, WE HAVE BEEN ABLE TO TRIGGER A MAJOR BOATBUILDING AND FISHING CREW TRAINING PROGRAM WITH THE PEACE CORPS AND THE GOVERNMENT OF TONGA. FSP AND PEACE CORPS VOLUNTEERS HELPED THE GOVERNMENT OF TONGA TRAIN BOATBUILDERS, EXTENSION STAFF AND LOCAL FISHERMEN. AS THE FISHERMEN CREWS WERE TRAINED AND BEGAN OPERATING ACDI HELPED ESTABLISH THE LOGISTICS FOR TRANSPORTATION AND MARKETING OF FISH.

NOW THIS RELATIVELY TINY PROGRAM HAS MUSHROOMED INTO A MULTI-MILLION DOLLAR NATIONAL EFFORT SUPPORTED BY UNDP, FAO, UNICEF, THE JAPANESE GOVERNMENT AND THE EUROPEAN ECONOMIC COMMUNITY.

IN ANOTHER FEW MONTHS WE WILL HAVE 60 BOATS AND 60 FULLY TRAINED TONGA FISHING CREWS MAKING HANDSOME PROFITS BY SUPPLYING FISH TO THE TONGA TOWNS AND TONGA WILL BE VIRTUALLY SELF-SUFFICIENT IN FISH.

THIS IS REAL DEVELOPMENT. THIS IS EXCITING SELF-HELP ENTREPRENEURSHIP. THIS IS MAKING THE AID DOLLARS OF THE AMERICAN PEOPLE COST-EFFECTIVE TO THE HIGHEST DEGREE.

THIS IS THE KIND OF FOREIGN ASSISTANCE I AM SURE THIS CONGRESS WANTS TO SEE CONTINUED. WE NEED YOUR HELP TO GUIDE THE ADMINISTRATION AS IT WRESTLES WITH EVER DIMINISHING

FINANCIAL RESOURCES. HERE WE HAVE IN THE SOUTH PACIFIC THE MOST EXCITING COST-EFFECTIVE PARTNERSHIP WITH THE PRIVATE SECTOR IN THE ENTIRE SPECTRUM OF FOREIGN ASSISTANCE PROGRAMS. LITERALLY.

THE MINISCULE 1985 USAID PRIVATE VOLUNTARY AGENCY CO-FINANCING BUDGET OF $3.5 MILLION HAS BEEN CUT TO $1.4 MILLION AND FROZEN AT THAT TINY LEVEL FOR THE THREE YEARS 1986, 1987 AND 1988. A CUT OF NEARLY SEVENTY PER CENT POSSIBLY THE DEEPEST CUT OF ANY AID PROGRAM ANYWHERE IN THE WORLD.

AS YOU ARE WELL AWARE, THE HERITAGE FOUNDATION HAD PUBLISHED A MAJOR PAPER WARNING THE UNITED STATES THAT IT IS IN DANGER OF ALIENATING THE SOUTH PACIFIC NATIONS THROUGH NEGLECT AND FAILURE TO MEET THE EXPECTATIONS OF ALLIES WHO PROVED THEIR LOVE FOR US IN WORLD WAR II.

THE WALL STREET JOURNAL ALSO JUST FOUR WEEKS AGO ON MARCH THE FIFTH DEVOTED ITS LEAD FRONT PAGE ARTICLE TO THE SOUTH PACIFIC NATIONS WITH THE BANNER HEADLINES QUOTE: - RESTLESS REGION/LONG IGNORED AS SAFE/SOUTH PACIFIC ISLANDS NOW VEX WASHINGTON/A TROUBLED AREA IS RESENTFUL OVER U. S. FISHING POLICY/FRENCH TESTS OF WEAPONS/THE RUSSIAN BEAR IS FLIRTING. AT THE SAME TIME THE NEW YORK TIMES OF TUESDAY APRIL THE EIGHTH, JUST TWO DAYS AGO, IS WARNING US AND I QUOTE: SOVIET SEEKS A LARGER ROLE IN SOUTHEAST ASIA. THE ARTICLE GOES ON TO DESCRIBE WHAT SOVIET AMBASSADORS ARE DOING IN PALAU, KIRIBATI, VANUATU. THE TIMES COULD HAVE ADDED THE KEY NATION OF FIJI AS I KNOW FROM A PERSONAL VISIT TO THE PRIME MINISTER JUST FOUR WEEKS AGO.

MR. CHAIRMAN, WE SINCERELY HOPE YOU AND YOUR COLLEAGUES WILL NOT LET THIS HAPPEN. WE ARE SEEKING A RESTORATION OF THE $2 MILLION REDUCTION IN THE PVO-COFINANCING LINE ITEM IN THIS YEAR'S BUDGET...

AND AS IMPORTANT, BY INCLUDING REPORT LANGUAGE REQUIRING THAT IN THE SOUTH PACIFIC BUDGET FOR FISCAL 1987 AT LEAST $3 MILLION BE ADDED TO THE CURRENTLY BUDGETED $1.4 MILLION FOR THE PARTNERSHIP PROGRAMS BETWEEN USAID AND PRIVATE VOLUNTARY ORGANIZATIONS.

THANK YOU, MR. CHAIRMAN. FATHER HOSIE AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS.

WRITTEN TESTIMONY BEFORE THE U.S. HOUSE AND SENATE SUBCOMMITTEES ON FOREIGN OPERATIONS

BY THE FOUNDATOIN FOR THE PEOPLES OF THE SOUTH PACIFIC
APRIL, 1986

MR. CHAIRMAN I THANK YOU FOR GIVING THE FOUNDATION FOR THE PEOPLES OF THE SOUTH PACIFIC AN OPPORTUNITY TO TESTIFY BEFORE YOUR COMMITTEE TODAY ABOUT A REGION OF THE WORLD OFTEN MISUNDERSTOOD AND INCREASINGLY NEGLECTED AND ABOUT THE WORK OUR FOUNDATION AND OTHERS ARE DOING.

THE ISLAND NATIONS OF FIJI, WESTERN SAMOA, VANUATU, SOLOMON ISLANDS, COOK ISLANDS, TONGA, KIRIBATI, TUVALU AND PAPUA NEW GUINEA IN THE SOUTH PACIFIC ARE OFTEN ADVERTISED AS A TOURIST'S PARADISE. FOR THE TOURIST LIVING ON $200 A DAY THEY CAN BE.

FOR THE ISLANDER, WHO MAY HAVE AN INCOME OF $200 PER YEAR, THE STORY CAN BE QUITE DIFFERENT. A SHOCKINGLY HIGH INFANT MORTALITY RATE--100-150 INFANT DEATHS PER 1000 LIVE BIRTHS IN CERTAIN AREAS, MALNUTRITION, POLLUTED WATER, MALARIA, AND DYSENTERY ARE EVERYDAY PROBLEMS. THE RATE OF POPULATION GROWTH IS AMONG THE HIGHEST IN THE WORLD--3.5% IN THE SOLOMON ISLANDS AND 4.3% IN KIRIBATI. LIMITED LAND MEANS THAT THE PROBLEMS MAY WELL GROW WORSE.

IN AN EFFORT TO ALLEVIATE THESE PROBLEMS, THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT AND PRIVATE VOLUNTARY ORGANIZATIONS OR PVO's HAVE FORGED A UNIQUE AND EFFECTIVE RELATIONSIHP WHICH HAS ENABLED U.S. FOREIGN ASSISTANCE TO REACH PEOPLE AT THE VILLAGE LEVEL WHERE 80% OF PACIFIC ISLANDERS LIVE.

THIS RELATIONSHIP IS NOW JEOPARDIZED BY USAID'S DECISION TO REDUCE PVO FUNDING FROM $3.5 MILLION IN FY 1985 TO $1.4 MILLION IN FY1986. THIS RECENT POLICY DECISION IS REFLECTED IN THE BUDGET PROPOSAL NOW UNDER CONSIDERATION IN FY 1987 WHICH FREEZES FUNDING AT THE FY 1986 LEVEL.

THE CURRENT OVERALL $6.9 MILLION APPROPRIATION FOR THE SOUTH PACIFIC REGIONAL DEVELOPMENT OFFICE INCLUDES FUNDS FOR NEGOTIATED BILATERAL ASSISTANCE AND EARMARKED MONIES, THEREBY DRASTICALLY CUTTING PVO's INCLUDING SUCH WELL-RESPECTED GROUPS AS HELEN KELLER INTERNATIONAL, CATHOLIC RELIEF SERVICES, SAVE THE CHILDREN, INTERNATIONAL HUMAN ASSISTANCE PROGRAMS, YMCA, AGRICULTURAL COOPERATIVE DEVELOPMENT INATERNATIONAL AS WELL AS OUR OWN FOUNDATION.

"ITH FUNDS GREATLY REDUCED TO PVO'S USAID WILL NO LONGER BE ABLE TO REACH THOSE IN MOST NEED AT THE VILLAGE LEVEL. IT IS THE PVO'S WHO HAVE THIS OUTREACH CAPABILITY IN PLACE.

THE CURRENT AND PROPOSED BUDGETS ARE BARELY SUFFICENT TO MAINTAIN USAID'S SMALL REGIONAL OFFICE AT THE EXPENSE OF ITS MOST COST-EFFECTIVE PROGRAM: THE PVO CO-FINANCING PROJECT. THE PVO CO-FINANCING PROJECT ENABLES PVO'S TO RECEIVE USAID FUNDS WHICH SUPPORT COMMUNITY DEVELOPMENT WORK IN SUCH AREAS AS WOMEN IN DEVELOPMENT, MATERNAL AND INFANT NUTRTION, SMALL BUSINESS DEVELOPMENT, FISHERIES AND OTHERS.

THUS OUR TESTIMONY TODAY SEEKS THE COMMITTEE'S AND CONGRESS'S HELP IN RESTORING FUNDS FOR PVO'S IN THE SOUTH PACIFIC. SPECIFICALLY WE HOPE THAT YOU WILL

1.ENACT LEGISLATION WHICH WILL RESTORE FY 1986 PVO FUNDS FOR THE USAID SOUTH PACIFIC REGIONAL DEVELOPMENT OFFICE PVO CO-FINANCING PROJECT BY ADDING $2 MILLION TO THIS LINE ITEM AND

2.INCLUDE REPORT LANGUAGE WHICH WILL SEEK AN ADDITIONAL $3 MILLION FOR THE USAID SOUTH PACIFIC REGIONAL DEVELOPMENT OFFICE PVO CO-FINANCING PROJECT FOR FY 1987 AND 1988.

WE RECOGNIZE THE OVERALL BUDGETARY CONTRAINTS CURRENTLY FACING THE FEDERAL GOVERNMENT. HOWEVER, THE TOTAL SOUTH PACIFIC PROGRAM IS SO SMALL AND THE REDUCTIONS PROPORTIONALLY SO LARGE THEY WILL HAVE A DEVASTATING EFFECT ON PVO'S AND THEIR WORK IN THE REGION. IN ADDITION IF THE U.S. CONTINUES TO WITHDRAW ITS ASSISTANCE TO THE PACIFIC IN GENERAL, OTHER POWERS NOT NECESSARILY FRIENDLY ARE READY TO MOVE IN.

WE KNOW OF THE SUBCOMMITTEE'S CONCERN FOR INTERNATINOAL COMMUNITY DEVELOPMENT EFFORTS AND YOUR COMMITMENT TO THE IMPORTANT WORK BEING CARRIED OUT IN DEVELOPING NATIONS THROUGH THE U.S. FOREIGN ASSISTANCE PROGRAM. WE HOPE THAT YOU WILL BE ABLE TO RESTORE FUNDS FOR PVO'S IN THE 1987 BUDGET SO THAT THIS IMPORTANT WORK CAN CONTINUE.

THANK YOU.

Restless Region

Long Ignored as Safe, South Pacific Islands Now Vex Washington

A Troubled Area Is Resentful Over U.S. Fishing Policy, French Tests of Weapons

The Russian Bear Is Flirting

By James P. Sterba

Staff Reporter of The Wall Street Journal

AUCKLAND, New Zealand—Think of the South Pacific. Paradise usually springs to mind. Lush, idyllic vacation spots like Tahiti and Fiji. Cute little countries like Tonga, with a king who takes up two first-class airline seats, and Tuvalu, which earns its way in the world mainly by selling colorful postage stamps to collectors.

There is Papua New Guinea, with its vast, exotic jungles. But you have to squint to find the others on an average-size globe: Kiribati, Vanuatu, Western Samoa—in all, two dozen microstates, five million people, some 1,300 islands, most of them so tiny and far away from the world's troubles that it is difficult to conceive of their causing trouble or being troubled themselves.

That has been Washington's view, too. The affection that the U.S. gained by pushing Imperial Japan out of the region four decades ago seemed boundless. Diplomacy, what little seemed required, was often put in the hands of generous campaign contributors who had to consult maps to discover exactly where they were going as ambassadors. With two staunch allies, Australia and New Zealand, looking after the region, it was an easy part of the world to ignore.

A 40-Year Policy

Not anymore. With U.S. policy in its 40th year of what a Heritage Foundation study calls "benign neglect," the Reagan administration has discovered that neglect has its price. The region is troubled economically and socially. It is angry over U.S. fishing policy and French nuclear-weapons tests in the area. Anti-West Third World rhetoric is on the rise. The Soviet Union's flirtations are beginning to pay off.

On Dec. 29, the New Zealand Times summed up the trends in an article that began: "This may be remembered as the year the Pacific Ocean ceased to be an American lake."

That is overstating it, Western diplomats say. But U.S. military strategists, for one, are disturbed by what they see. While the end of the presidential crisis in the Philippines would seem to improve the odds of America's holding on to its bases there, that can't be considered certain, and when these strategists look for backup positions in the Pacific, the view is no longer so pleasant. To have to worry about—let alone contest for influence in—a huge watery patch of the globe that has been uncontested since World War II isn't appealing.

Falling Stock

Most regional leaders don't savor the prospects of superpower competition, either, although they have discovered that the best way to get the Reagan administration's attention is to flirt back at Communists. They are doing so because today theirs is a region of resentment. U.S. tuna boats and U.S. support of French nuclear-weapons testing on the Polynesian atoll of Mururoa have fertilized budding anti-Americanism and used up much residual good will.

Meanwhile, the Anzus alliance, a mutual security pact between Australia, New Zealand and the U.S., is under strain, perhaps unraveling. And Australia and New Zealand, especially the latter, are under growing pressure—from anti-nuclear groups, leftist trade unions, environmentalists and peace groups—to abrogate the treaty, kick out U.S. military facilities, dismantle joint intelligence-gathering and communications sites, and even join the nonaligned movement.

These groups have helped organize islanders into anti-U.S. groups as well. Through some leftist New Zealand trade unions, Moscow dispenses money and support.

U.S.-New Zealand Rift

Prime Minister Lavid Lange of New Zealand carried out a popular 1984 campaign pledge of banning U.S. warships' port visits unless the U.S. certifies that the ships are nuclear-free—which it won't. Fearing that the New Zealand action might be copied elsewhere, the U.S. retaliated with strong denunciations and suspended all military cooperation with New Zealand. The U.S. also cut New Zealand out of a secret and elite intelligence-sharing network that includes the United Kingdom, Canada and Australia and involves swapping secrets that the U.S. won't share, for example, with NATO.

The U.S.-New Zealand actions strained relations and rendered largely inoperative the 35-year-old Anzus alliance, which most island leaders viewed as a regional security blanket. The U.S. retaliation made it difficult for New Zealand to carry out what had been its primary intelligence-gathering mission in the five-power network: keeping a military and political eye on the South Pacific.

The region's nuclear allergy was aggravated when French agents bombed a Greenpeace environmental protest ship, the Rainbow Warrior, in Auckland harbor, killing a photographer. The ship had been en route to Mururoa to protest French testing, which has gone on underground since 1975 and was carried out in the atmosphere before that.

Restless Region: Long Ignored as Safe, South Pacific Poses Problems for U.S.; Tuna Fishing Is an Irritant

Continued From First Page

Pacific Forum, including Australia and New Zealand, meanwhile agreed to a treaty creating a South Pacific Nuclear Free Zone. Australia declined to cooperate with the U.S. in MX missile testing.

Of far more immediate concern, however, was Moscow's success, for the first time, in getting an economic-cooperation agreement with one of the microstates. The Republic of Kiribati, frustrated by U.S. fishing abuses, last summer opened its 1.4 million square miles of Central Pacific waters to a Soviet fishing fleet.

And last fall, Soviet cruise liners, banned from plying the region in retaliation for the Afghanistan invasion six years ago, were invited back in to help a sagging tourist trade. (On Feb. 16, one of them struck a reef and sank in New Zealand's Cook Strait.)

At least six financially strapped nations in the region—Fiji, Kiribati, the Solomon Islands, Tuvalu, Vanuatu and Western Samoa—received fresh offers of Soviet aid and economic cooperation last year. Such offers have been spurned in the past. Now some leaders suggest that they will wait and see how the Kiribati fishing arrangement works out before turning Moscow down. The accord nets Kiribati $1.7 million, about 10% of its national budget. Other aid-dependent islanders could use that kind of money, too.

Vanuatu and Hanoi

In the meantime, Vanuatu, already best friends with Cuba, has agreed to receive Vietnamese foreign aid in the form of a medical aid team sent by Hanoi. And in New Caledonia, pro-independence forces acknowledge that one faction in their coalition sent a team to Libya for training in the fall of 1984. They say they haven't ruled out another visit.

Even Western successes have their qualifications. While the voters of Palau, for example, have just overwhelmingly approved a new political relationship with Washington that gives military concessions to the U.S., the arrangement also bars the use, testing or storing of nuclear weapons there.

While the Soviets increase their friendly overtures in the region—for example, by passing out free airline tickets to visit Russia and offering scholarships to study there—anti-American feelings are growing and regional diplomats blame the Reagan administration.

Mr. Reagan's first-term rejection of the 1982 Law of the Sea treaty was viewed by islanders as an official endorsement for U.S. fishing vessels to steal their most valuable economic resource: tuna. Under a 1976 U.S. law, tuna are exempt from claims of a 200-mile economic zone because they are a "highly migratory species." So U.S. tuna fishermen freely take catches in violation of the laws of the island nations involved. The Reagan administration also angers islanders by backing French colonial claims to French Polynesia and New Caledonia.

"The United States must stop stomping around the South Pacific like a heedless hippopotamus, following damaging policies dictated by North Atlantic interests," says an editorial in Pacific Islands Monthly, an Australian-based magazine that reflects regional thinking.

AUSTRALIA
NEW ZEALAND

Military Concerned

All this hardly makes for the next superpower flashpoint. But a succession of U.S. Pacific military commanders, including Adm. William J. Crowe, who is currently the chairman of the Joint Chiefs of Staff, have expressed concern and quietly lobbied the Reagan administration to clean up its act in the region. That process began last summer, after the Anzus crisis and the Kiribati-Soviet fishing agreement, when Secretary of State George Shultz toured the region.

A December 1984 study for the State Department's Office of Long Range Assessments and Research notes that "the bull is not yet amongst the china" but that the situation could quickly change. Good will toward the U.S. is large, the study said, but "the real question is how long can the reservoir be tapped without replenishment?" Discussing Soviet offers to trade aid for fishing rights, the study went on:

"The current U.S. fishing difficulties in the region do make the Soviet fisheries offers appear more attractive than perhaps they would otherwise. Secondly, the financial problems of the smaller sized countries are perceived to be such that cash income even from the Soviet Union would be difficult to refuse."

Contrary to the travel brochures, most of the microstates are economically troubled. They have growing populations, rising numbers of restless unemployed youths, and spreading problems with urbanization: crime, suicide, alcoholism and drug abuse.

As a group, the microstates receive more foreign aid per capita than any other place in the world, although the amount is relatively small because total populations are tiny. But living space is tiny, too, and unhealthful.

Randy Thaman, who heads the University of the South Pacific's school of [illegible] and economic development, says the South Pacific is one of the world's most unhealthful places to live. Other parts of the world may be slowly winning battles against diseases. Not this region. Malaria, hepatitis, meningitis, intestinal diseases, tuberculosis, anemia, syphilis and gonorrhea are growing health problems. There are no sewers, sanitary garbage removal or clean-water sources for most islanders. Thus, diarrhea has become a major killer.

Enormous political, social and economic changes were under way in the region long before the Soviet bear began dangling his toe in these tropical waters. At World War II's end, six Western colonial powers administered island dependencies. Today, most are independent nations or moving toward sovereignty.

By the late 1970s, most had staked claim to waters and resources within 200 miles of their shores in accordance with Law of the Sea deliberations, as did the U.S. and other maritime nations. Instead of a Pacific dotted by island pinpricks, says F. Rawdon Dalrymple, the Australian ambassador to the U.S., "you suddenly had a map where huge areas of the earth's surface were marked off [with claims of] political entities most of which were virtually unknown to the outside world."

Five Million Square Miles

They claim, in fact, about 5.8 million square miles of sovereign territory—an area almost twice the size of the continental U.S., and there is precious little free ocean left. Most of these tiny nations have few land resources to exploit beyond coconuts; the [redacted] time, economic self-sufficiency might be possible.

But fisheries development is only beginning. In the meantime, says the Heritage Foundation Study,

"The World War II generation of island leaders is being succeeded by a younger generation, whose concern with economic development and anger over perceived U.S. insensitivity make them susceptible to Soviet offers of economic assistance as well as to pleas by Third World radicals to join the Third World bloc in its anti-West, anti-U.S. and anti-free-market policies."

Despite these trends, the Soviets haven't made much headway until now, largely because of painstaking diplomacy by Australia and New Zealand. "Dealing with these micro- and mini-states requires a very delicate touch—a feel for the cultures involved, close personal contacts and a fine sense of how much is enough," Owen Harries, a former Australian diplomat, wrote in the American magazine Commentary.

He added that it was "doubtful whether the U.S. could do it anything like or as well as its allies."

Island Leaders Say U.S. Tuna Policy Is Made by Association in San Diego

By a Wall Street Journal Staff Reporter

AUCKLAND, New Zealand – Most people think that American foreign policy is made in Washington and carried out by State Department diplomats. But they think otherwise in the island microstates of the South Pacific.

U.S. policy, island leaders charge, is made in San Diego, the home of the American Tunaboat Association, and carried out by poachers who are protected by Washington.

Tuna is the island nations' most important economic resource, and U.S. fishing policy angers them in two ways. First, Washington doesn't recognize their 200-mile economic-zone claims as far as tuna is concerned. Second, the Fisheries Protection Act of 1967 provides that if any nation seizes a U.S. fishing boat, Washington must impose an embargo on all fish products from that nation. The same law also requires Washington to reimburse the boat owner for the costs of the seizure and of recovering the boat and to pay him the amount of money he would have made fishing if the boat hadn't been stopped.

'Buccaneering Behavior'

"The buccaneering behavior of the American Tunaboat Association" infuriates island countries even more than French nuclear weapons testing in French Polynesia, says the region's news magazine, Pacific Islands Monthly.

But U.S. tuna fishermen say they couldn't compete with cheap foreign imports without Washington's protection. August Felando, the president of the American Tunaboat Association, notes that 21 of the 33 boats in the U.S. tuna fleet are currently tied up in bankruptcy proceedings.

Partly because of chicken's increased popularity, tuna prices to fishermen have dropped to about $700 a ton from $1,100 a ton four years ago, he says. Fast, modern purse-seiners, with on-board helicopters to locate tuna schools, cost $10 million five years ago; Mr. Felando says they are for sale at half that now.

Other tuna fleets, from Japan and South Korea, for example, pay island nations annual fees to fish. The U.S. fleet has had similar agreements with a few island nations in the past but has none now. After a visit to the region last summer, Secretary of State George Shultz ordered a speedup of talks on the issue.

Kiribati-Soviet Pact

The president of Kiribati, Ieremia Tabai, says that anger over U.S. fishing policy is what propelled his tiny nation to sign a fishing agreement last August with the Soviet Union – Moscow's first ever in the region.

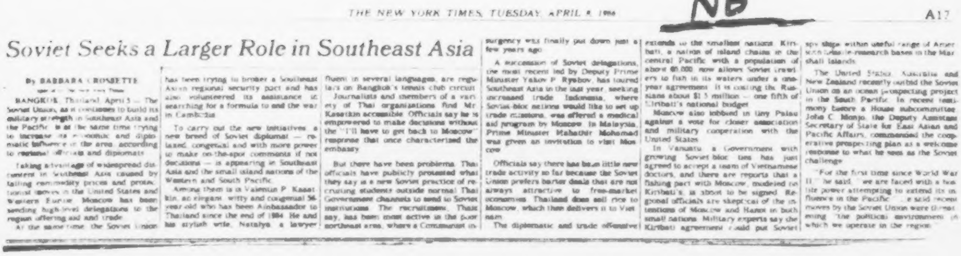
Kiribati is a nation of 62,000 people on 33 tiny islands, including Tarawa, which cost some 3,000 U.S. Marine casualties to take from Japan during World War II. It lives off a tiny copra crop, foreign aid and fishing agreements.

The one-year Soviet accord allows 16 trawlers to fish in a maritime zone of about 1.4 million square miles. The Soviets paid about 20% more than the going rate for the agreement. Cost: $1.7 million. In contrast, it cost U.S. taxpayers an estimated $3.5 million after a single U.S. tuna boat, the Jeanette Diana, was seized on poaching charges in June 1984 by the government of the Solomon Islands.

Avon Unit Sale Is Completed

NORTHBROOK, Ill. – International Minerals & Chemical Corp. said it completed its acquisition of the Mallinckrodt division of Avon Products Inc. for $675 million.

The fertilizer, chemical and industrial products concern said Mallinckrodt, which had 1985 sales of $571 million, makes medical products, specialty chemicals, flavors, fragrances and cosmetic chemicals. International Minerals said the purchase is part of its plan to expand beyond its agricultural businesses.



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Soviet Seeks a Larger Role in Southeast Asia

By BARBARA CROSSETTE

Special to The New York Times

BANGKOK, Thailand, April 5 — The Soviet Union, as it continues to build its military strength in Southeast Asia and the Pacific, is at the same time trying to increase its economic and diplomatic influence in the area, according to regional officials and diplomats.

Taking advantage of widespread discontent in Southeast Asia caused by falling commodity prices and protectionist moves in the United States and Western Europe, Moscow has been sending high-level delegations to the region offering aid and trade.

At the same time, the Soviet Union has been trying to broker a Southeast Asian regional security pact and has also volunteered its assistance in searching for a formula to end the war in Cambodia.

To carry out the new initiatives, a new breed of Soviet diplomat — relaxed, congenial and with more power to make on-the-spot comments if not decisions — is appearing in Southeast Asia and the small island nations of the Western and South Pacific.

Among them is Valentin P. Kasatkin, an elegant, witty and congenial 56-year-old who has been Ambassador to Thailand since the end of 1984. He and his stylish wife, Natalya, a lawyer fluent in several languages, are regulars on Bangkok's tennis club circuit.

Journalists and members of a variety of Thai organizations find Mr. Kasatkin accessible. Officials say he is empowered to make decisions without the "I'll have to get back to Moscow" response that once characterized the embassy.

But there have been problems. Thai officials have publicly protested what they say is a new Soviet practice of recruiting students outside normal Thai Government channels to send to Soviet institutions. The recruitment, Thais say, has been most active in the poor northeast area, where a Communist insurgency was finally put down just a few years ago.

A succession of Soviet delegations, the most recent led by Deputy Prime Minister Yakov P. Ryabov, has toured Southeast Asia in the last year, seeking increased trade. Indonesia, where Soviet-bloc nations would like to set up trade missions, was offered a medical aid program by Moscow. In Malaysia, Prime Minister Mahathir Mohamad was given an invitation to visit Moscow.

Officials say there has been little new trade activity so far because the Soviet Union prefers barter deals that are not always attractive to free-market economies. Thailand does sell rice to Moscow, which then delivers it to Vietnam.

The diplomatic and trade offensive extends to the smallest nations. Kiribati, a nation of island chains in the central Pacific with a population of about 60,000, now allows Soviet trawlers to fish in its waters under a one-year agreement. It is costing the Russians about $1.5 million — one fifth of Kiribati's national budget.

Moscow also lobbied in tiny Palau against a vote for closer association and military cooperation with the United States.

In Vanuatu, a Government with growing Soviet-bloc ties has just agreed to accept a team of Vietnamese doctors, and there are reports that a fishing pact with Moscow, modeled on Kiribati's, is about to be signed. Regional officials are skeptical of the intentions of Moscow and Hanoi in both small nations. Military experts say the Kiribati agreement could put Soviet spy ships within useful range of American missile-research bases in the Marshall Islands.

The United States, Australia and New Zealand recently outbid the Soviet Union on an ocean prospecting project in the South Pacific. In recent testimony before a House subcommittee, John C. Monjo, the Deputy Assistant Secretary of State for East Asian and Pacific Affairs, commended the cooperative prospecting plan as a welcome response to what he sees as the Soviet challenge.

"For the first time since World War II," he said, "we are faced with a hostile power attempting to extend its influence in the Pacific." He said recent moves by the Soviet Union were threatening "the political environment in which we operate in the region."

Mr. McHugh. Thank you very much. We appreciate your being here. Mr. Chairman.

Mr. Obey [presiding]. I would simply observe that I will take seriously the Heritage Foundation's and the Wall Street Journal's comments about our defending their interests in that region of the world, when they also support national fiscal policies, that will help us pay the bills for meeting those responsibilities.

I want to thank you for your testimony.

Ms. Silverstein. I thank you very much for listening.

Mr. Hosie. If I might say one word. We noticed in looking around the room, that unfortunately the South Pacific area is not represented with a map. We would be delighted to present you with a map. We will send you a special one of the South Pacific Islands.

Mr. McHugh. Thank you very much.

Thursday, April 10, 1986.

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS FOR 1987

WITNESS

NANCY ALEXANDER, INTERFAITH ACTION FOR ECONOMIC JUSTICE

Mr. McHugh. Welcome. Thank you very much for your patience.

Ms. Alexander. Thank you very much for sticking it out.

As you may know, Interfaith Action is an organization that represents 25 interfaith organizations, and I speak for the organization Interfaith Action as a whole, and not for any of its individual members.

Before I begin, I would like to make a statement for the record that our very apolitical computer deleted line 1 of our written testimony which you should have 20 copies of, and the first line of that testimony reads: "First, the drought and famine in Africa and the Third World debt"—I should also say that an attempt to follow my oral remarks with my written remarks would be fruitless. I will try to recap some major points.

Mr. McHugh. All right. Thank you.

Ms. Alexander. The major concern that I bring before you today is with the short and long term implications of deficit-cutting measures on foreign policy priorities and resources. We propose that the appropriate committee or committees in Congress hold hearings on this subject before the year is out because of its seriousness.

We feel that it is imperative for Congress to focus on this subject for the reasons which I will briefly address in the following order:

First, reasons of national security.

Second, the fate of development assistance programs.

Thirdly, the role of multilateral aid.

Fourthly, deficit reduction.

And lastly, consequences of some current trends in foreign aid.

First, national security reasons. It appears that many people think that it is primarily military and security aid that protects the national interest. The fact that such aid has doubled during the course of this Administration is evidence of this fact.

On the other hand, it's the prevailing view that development assistance is more dispensable than military and security aid, and the fact that development assistance has pretty much languished over the last five years is evidence of this.

If, as has been suggested, 25 to 50 percent cuts are applied to all foreign aid programs equally, our figures show that ESF and military aid would still be above 1981 levels, whereas development aid would be far below those levels.

We feel that these trends which are exacerbated by deficit-cutting measures are not in the national interest, much less the international interest.

Therefore, we encourage you to meet foreign aid deficit reduction targets for 1987 fiscal year by cutting military and security assistance, not development assistance.

Point two, the fate of development assistance.

Because it seems development assistance is seen as being relatively expendable, the Administration would like to fund part of the embassy security program out of this account. If this should happen, and if funding for the Middle East and base rights countries have to be protected, development programs will be devastated or rendered ineffectual.

We feel that the humanitarian assistance that development programs offer is vital to the national and international security.

The third point relates to the role of multilateral aid. Multilateral aid is viewed by some members of Congress as even more expendable than bilateral aid. We feel that this view needs to be corrected.

First, it is in large measure through multilateral organizations that the U.S. solves international problems. To the extent that we withdraw support and participation from these organizations, our influence will wane, and our cooperative relationships with other nations will wither.

Second, contributions that we make to multilateral organizations are, as you know, augmented by the contributions of other nations in the world. Poor countries rely heavily on lending by multilateral financial institutions.

For example, the World Bank's special facility for Africa and the special IFAD program for Africa, which fosters self-reliant development.

Insufficient support for these institutions doesn't only injure developing countries, it also threatens the viability of the national and the international banking system which has, as we all know, overextended itself in provision of loans to the Third World.

We also ask your appreciation and your support for the U.N. development program and particularly its Africa Poverty Fund, for UNICEF, for the U.N. World Food Program, and for the Child Survival Fund. Multilateral programs which are integral to the welfare of the Third World and of the U.S., and of the U.S.'s relationship to Third World countries.

My fourth point relates to deficit reduction. As Rep. Berman stated in a letter to you, Rep. Obey, and also to other members of this subcommittee, there is solid economic reasons to cut military aid and ESF programs. Rep. Berman made the point out of several others that ESF and military aid are fast-dispersing programs as compared to development assistance. Thus, the savings in budget outlays will be far greater if cuts come from security programs and the deficit reduction targets can be met more easily.

He also pointed out that ESF and military programs have expanded so rapidly that there is likely to be enormous waste in the programs in many countries, other than the Philippines.

My last point relates to the consequences of current aid trends. We offer several concerns regarding the consequences of military and security aid trends for your consideration.

First, we feel these trends fail to address the underlying social and economic problems in the developing world.

Secondly, we feel that the trends fuel the arms race, as a result of the focus on East-West tensions, it really tends to overlook some of the regional tensions that our aid can cause. And it destabilizes areas, particularly such as the Middle East, that are being fueled from other sources that are not always in keeping with our interest.

Third, the trends create a relationship of dependency and divert resources within the U.S. aid program. A relationship of growing dependency is seen in the dramatic increases in U.S. aid to countries where we have transit base rights and access agreements.

Finally, the neediest countries are often not deemed strategically important to the U.S. and therefore go wanting. For instance, Sudan, Liberia, Kenya and Somalia, with only 10 percent—or I guess it's 12 percent of the population of Sub-Saharan African receives nearly half of all ESF and development aid for that stricken region.

Our written statement goes into more detail on all of these points, and I simply want to conclude by encouraging you to consider reallocation of funding with human need as a very central consideration, and therefore we feel that cuts should be taken mainly from military and security accounts.

Mr. McHugh. Thank you very much.

[The prepared statement of Ms. Alexander follows:]

Interfaith Action for Economic Justice

Members of **Interfaith Action for Economic Justice** are the mission boards or program units of national religious agencies working together for just and effective US food and agriculture, health and human services, and development and economic policies

American Baptist Churches, USA
American Lutheran Church
Baptist Joint Committee
  on Public Affairs
Bread for the World
Center of Concern
Christian Church (Disciples
  of Christ)
Christian Life Commission of
  the Southern Baptist Convention
Church of the Brethren
Episcopal Church
Friends Committee on National
  Legislation
Jesuit Social Ministries
Lutheran Church in America
Maryknoll Fathers and Brothers
Moravian Church in America
National Council of Churches
  of Christ, Church World Service
Network
Presbyterian Church (USA)
Progressive National Baptist
  Convention
Reformed Church in America
Union of American Hebrew
  Congregations
Unitarian Universalist Association
Unitarian Universalist Service
  Committee
United Church of Christ
United Methodist Church
World Hunger Education Service

Interfaith Action for Economic Justice, continuing the work of the Interreligious Taskforce on US Food Policy, speaks for itself and not its member agencies.

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800/424-7292 (legislative updates)

Statement of Interfaith Action for Economic Justice
on the
Foreign Assistance Appropriations Act of 1986

submitted to the
Subcommittee on Foreign Operations
Committee on Appropriations
US House of Representatives

April 8, 1986

Mr. Chairman, Interfaith Action for Economic Justice welcomes this opportunity to appear before the Foreign Operations subcommittee--as we have regularly done in years past--to offer our views on the Reagan Administration's current foreign aid request.

I am Nancy Alexander, legislative secretary of the Friends Committee on National Legislation and chair of Interfaith Action's International Development Policy Work Group. Formerly known as the Interreligious Task Force on US Food Policy, Interfaith Action is a coalition of 25 national Protestant, Roman Catholic, Jewish, and ecumenical agencies that work together on federal legislation seeking justice for poor and hungry people. While we speak only for the coalition as a whole and not for each of the religious bodies that participate in our work, our testimony reflects generally the public policy positions adopted by those bodies.

Our overriding concern over the years has been to ensure that US foreign aid programs help meet the basic human needs of the poor majority in developing countries. We believe very strongly that helping these most disadvantaged people in the Third World improve the quality of their lives in an atmosphere of freedom and justice is one of the most valuable contributions we can make to the national security of the United States and to the promotion of a just world order.

We are convinced that the proposed funding levels and allocations do not have that emphasis and will not move toward that result.

As Congress reviews the Administration's FY 1987 request, its fundamental challenge is to halt and, if possible, reverse the trend toward more security assistance and less development aid. It is likely that that tendency will be accentuated by the uncertain impact of the Gramm-Rudman-Hollings Balanced Budget Act--especially if, as Rep. Fascell has written to Rep. Gray, the Middle East program, the base-rights countries, and the Inman program for enhanced embassy security around the world must be funded out of the foreign aid program. The result of such action would be to devastate the development assistance program and undermine the results of more than two decades of US foreign aid to poor Third World countries.

I should note at the outset that our testimony this year repeats views we have expressed in the past on these items. We do not wish to discuss specific appropriations levels at this time; we know that this numbers game is being pursued vigorously in all those committees and that there is apparently a supplemental request in the works to begin funding the Inman program in FY 86, which would have a further impact on the FY 1987 and other years' deficit targets. Except for some specific programs that we will list later, we are concerned not so much with the specific figures as with the priorities those amounts express. Typical examples are program levels for Pakistan and Guatemala as compared with several more needy countries.

The Administration's FY 87 request underlines what we have been saying for the past several years: The US foreign aid program has gone badly astray. In our view, the skewing of foreign aid resources reflects an overemphasis on East-West conflicts, a heavy reliance on military responses to perceived threats to the United States, and a lack of attention to long-term interests of both the US and the developing countries with which we cooperate. In particular, the trend downplays the value to the US of promoting equitable development that benefits poor people in developing countries.

We believe that many of the effects of the proposed FY 87 package--if those priorities are accepted--would be detrimental to long-term development and to the vital US interest that such development serves. For one thing, the proposed package is likely to promote further militarization of the Third World. For example, despite the universally agreed need for long-term development in Africa, the Administration is requesting significantly more for military and security assistance there than for development assistance. This approach to Africa is a particularly inappropriate response to the development crisis facing that continent. The package also threatens to undermine further US multilateral relations and programs.

The Gramm-Rudman-Hollings deficit target for FY 87 in foreign aid should be met by cutting military and security assistance, not development assistance.

We are aware of a letter sent to you and other members of this subcommittee by Rep. Howard L. Berman (D-CA) urging you for both political and economic reasons to cut military aid and ESF programs rather than development aid programs when you apply the FY 87 deficit-reduction target to the foreign aid program. Rep. Berman offered several reasons for his suggested approach, with which we find ourselves in substantial agreement.

crisis call into question the value for both Third World countries and the US of the increasing security orientation of US assistance over the last five years and our neglect of long-term economic development.

--Second, ESF and military aid have expanded so rapidly that there must be enormous waste in the programs. (Perhaps the current revelations about the Marcos lifestyle in the Philippines point to some of that.)

--Third, the 25-50 percent aid cuts you have been discussing, if applied to all programs equally, would still leave ESF and military aid well above where they were five years ago. However, development assistance would be far below the levels of that time.

--Fourth, ESF and military assistance programs are attractive because they are fast-disbursing. Thus the savings in budget outlays will be greater if cuts come from the security programs, and the deficit-reduction targets will be reached more quickly. MAP, FMS, and ESF have much faster spend-out rates than development assistance (98 percent, 45 percent, and 62 percent, respectively, versus 12 percent).

We also believe that since the growth in foreign aid spending in recent years has been occasioned predominantly by security and military increases (as, for that matter, the growth in domestic spending has been spurred by domestic military spending), foreign military aid should be the prime candidate for current reductions. Moreover, the deeper the cuts in military aid and security assistance, the greater the pressure on the Administration to reconsider its determination to reduce the deficit only by slashing expenditures.

We believe that the following three major aspects of US foreign assistance need careful scrutiny by the Congress:

Reducing Militarization of the Third World: Security aid has become the cornerstone of the US foreign aid program. The tendency of this Administration to see the dynamics of the Third World strictly through the lens of East-West geopolitical conflict encourages recipients of such aid themselves to emphasize this perspective and to neglect many of the more difficult issues related to long-term development. This misreading of Third World conflict and change raises several concerns.

--First, it fails to address underlying social and economic problems and tends to overlook legitimate internal challenges growing out of long-standing grievances against unpopular governments. We have had two recent examples of this phenomenon in Haiti and the Philippines. Military responses to such grievances may reinforce repressive, non-democratic powers, work against genuine popular movements, perpetuate inequity and underdevelopment, and contribute to political instability.

--Second, military aid may serve to fuel local arms races--a result frequently ignored by a policy that focuses on East-West tensions.

The US often has little control over the local conflicts to which it is contributing. Military aid that destabilizes the Third World also heightens the possibility of clashes between the US and the Soviet Union. This danger already exists in the Middle East, where the US and the USSR have armed many of the parties to the conflict.

--Third, the availability of substantial sums for military aid on easy credit or on a grant basis often encourages the buildup of military establishments that cannot be maintained without continued external support. Recent large increases in US military assistance are likely to create a relationship of dependency, with the US expected to provide as much or more military aid to such recipient countries each year.

--Fourth, the emphasis on military aid also diverts resources within the US aid program that might otherwise be available for development programs. This year, even more than in the recent past, military aid add-ons would preempt the possibility of higher development assistance requests and are even more likely to force some reductions. In recipient countries, too, funds used for military expenditures are unavailable for more pressing needs. Strengthening the military establishment within a country may also skew internal decision-making in favor of larger military expenditures.

The amount of military aid provided to countries in return for base rights, transit, or access agreements has increased dramatically in recent years. Many of the countries with which the US has arranged transit and access agreements are Third World countries. The Administration has consistently increased these requests, and the Congress has shown little willingness to restrain the amount of aid requested for these kinds of cooperation.

Increases in Economic Support Funds (ESF) have been the other key element in recasting the foreign aid program to reflect short-term political objectives. Because ESF funds are relatively quick-disbursing (as noted above), these increases reflect in part an effort to respond in the short run to the needs of developing countries engulfed in continuing economic crisis brought on by the global recession. ESF provides balance of payments assistance to many countries desperately in need of foreign exchange.

We are aware that as much as a third of ESF is currently allocated to development assistance programs. However, two thirds of it isn't so allocated, and the third that is goes to countries not selected in the light of basic human needs criteria (as the congressional "New Directions" legislation of 1973 prescribed for development aid), but in terms of US (military) security criteria. Moreover, review of the country allocation of ESF aid suggests that much of the development assistance is intended to serve the same short-term objectives as military aid. Nearly half of ESF assistance goes to just four countries, selected for strategic and political reasons that make it difficult for the US to insist upon the wisest use of these resources. However one determines the appropriations levels, the priority in allocations has clearly shifted from a primarily development orientation to a primarily US national security orientation.

Strengthening US Multilateral Relations and Programs: Interfaith Action believes that multilateral organizations--although far from perfect--are generally better vehicles than bilateral programs for instituting the kinds of policy reforms that are needed to boost development efforts around the world. We are therefore seriously concerned about the declining US support for multilateral institutions and programs. We are pleased that the House rejected the Administration's proposed cuts in funding for voluntary contributions to international organizations and programs for FY 1986 and even provided for modest increases in selected programs. We are troubled, on the other hand, by examples of retrenchment in US participation in multilateral development efforts.

Last year, in the first application of the Balanced Budget Act, the US cut its commitments to the International Development Association (IDA), which provides critical support for countries in sub-Saharan Africa and elsewhere. The Administration has not projected any funds for IDA beyond FY 1987, when current commitments also expire for the soft loan windows of the African and Asian Development Banks. In addition, the US is once again falling behind in its current payments to international financial institutions.

The Administration's delay in seeking authority to participate in the recently established World Bank Special Facility for Africa is equally disturbing. The Facility seeks to provide the framework within which African countries can initiate and implement the policy changes needed to turn their economies around and regain development momentum. The type of assistance that the Special Facility would provide--quick-disbursing funds in support of policy reform programs--is not a substitute for long-term development aid but is increasingly viewed as a prerequisite to making long-term development aid more effective. The commendable US emergency response to the recent (and to some extent current) African food crisis will prove short-sighted unless the US, joining with other nations, augments its response to the long-term development needs of Africa.

Redirecting Priorities in US Aid to Africa: There is almost universal agreement that the most pressing needs facing Africa today are for increased small-farm agricultural production and long-term development. The US response to these needs has been more security-related than development-oriented. Statements by AID Administrator Peter McPherson linking the African food crisis to underlying longer-term development problems of poverty and disease have been encouraging, and the FY 87 Congressional Presentation appeals eloquently for longer-term aid to help in solving fundamental problems of recurring food shortages and in accelerating economic development.

Unfortunately, the FY 87 budget request for Africa fails to bear out the Administration's rhetoric. On the contrary, it continues the trend toward security assistance by proposing nearly twice as much for security assistance as for development assistance. Moreover, both ESF and development aid for Africa are heavily concentrated in a handful of countries with special political or security relationships with the United States. Sudan, Liberia, Kenya, and Somalia, with only 12 per cent of the population of sub-Saharan Africa, are slated to receive nearly half of all ESF and development aid for that region.

In our view, the causes of the most serious and destabilizing problems of sub-Saharan Africa are not security-related but development-related. Assistance is desperately needed for agriculture, health, and other basic development programs, as well as macro-economic support for many of the policy reforms governments have already begun undertaking. To achieve a more balanced US aid approach to Africa, we recommend for Africa lower levels of security assistance (especially military aid), modest increases in development assistance (primarily in multilateral programs), and a reallocation of assistance (particularly ESF aid) among countries. Country allocations to other regions deserve review with the same concerns in mind.

In conclusion, let me summarize our basic thinking. We believe that the Third World policies the Administration urges you to accept are driven by a mistaken preoccupation with the threat to US security represented by Communist involvement in Third World conflicts. The result has been a shift in foreign aid priorities and a neglect of economic development problems. The new Reagan strategy of supporting all anticommunist revolutions wherever they occur (or can be stimulated) seems certain to accentuate these tendencies. And even when economic development is stressed, the emphasis seems to stem from an ideological free-market orientation without regard for the culture and traditions of the country being helped. In our view, US national security is enhanced more by helping people improve the quality of their lives than by this overemphasis on Communist threats and the consequent devotion to military solutions.

We are aware that the Congress is under heavy pressure from the Administration (and from many of its own members) to accept its view of what is going on in the world—including the Third World. We are sympathetic to the difficulty of taking a nuanced position in a situation that is portrayed in such unambiguous terms. Nevertheless, the situation is not clear-cut, and a short-sighted policy based on such a view serves neither the American people nor the poor in countries that foreign aid programs are supposed to help.

Added to all these difficulties are the unpredictable prospects of Gramm-Rudman-Hollings. However the pending Supreme Court case turns out, we do not believe the Administration will permit the kinds of cuts, especially in defense expenditures, that the automaticity principle would require. Therefore, the Congress faces the same kinds of priority considerations as it has regularly faced in the past—with the additional element of legislated deficit-reduction targets and a foreshortened timetable. We agree with those targets, but we urge you not to meet them by cutting the programs that offer hope and help to the poor either here or abroad. Therefore, in connection with the foreign aid program, we urge that you cut not in the development assistance accounts but in those related to security and military assistance.

Beyond these considerations, there are several programs that we believe should be given sympathetic consideration for additional funding in FY 87, even in the face of the budget stringency. They include the second year of US participation in the World Bank's Special Facility for Africa; the Special IFAD Program for Africa (over and above the second year contribution to IFAD's regular operations); additional funding for the International Organizations and Programs account to support the work of UNICEF, the UN World Food Program, and the UNDP Africa Poverty Fund; and doubling of the amount to be made available for the Child Survival Fund ($75 million).

Cutting security programs as we have recommended, plus protecting and enhancing a relatively few multilateral programs, would reflect the priority that disadvantaged people warrant, especially in times of fiscal austerity. On the other hand, we believe that a US foreign aid program along the lines of the FY 87 funding request is so unbalanced that it will not command the support of people concerned about long-term US interests, particularly the value of equitable development in Third World countries, both for people in those countries and people in the US. In fact, unless significant changes are made in the program, groups such as ours might feel compelled to work actively against its enactment. We urge you, therefore, to reject the further distortion of the foreign aid program represented by the Administration's request. The ability of that program to help poor people in developing countries depends heavily on your action.

NOTE: UAHC does not concur in any proposal that would reduce levels of assistance to Israel.

Mr. OBEY. I just wanted to make one point. It was not the Administration that decided that any funding for embassy security should be taken out of the existing funds. It was me. The Administration was suggesting that we support a three-year program for increasing security at the embassies, but again not providing any revenue to pay for it. In the absence of revenue, in order to stay within the limitations laid on us by Gramm-Rudman, I felt we had no choice but to take it out of existing funds, which is what we did.

Ms. ALEXANDER. Will this come out as an across-the-board kind of thing, or out of——

Mr. OBEY. It will come out any way the Administration wants. We also included the banks, although they have already been obligated, so the primary impact will be on security programs. In all honesty, if you want to lay the blame on that, lay it on me, not the Administration. I am the guy that did it.

Ms. ALEXANDER. If it comes out of security aid, I'm all for it.

Mr. OBEY. I'm for taking it wherever we have to take it in order to prevent adding money in the absence of the Adminstration supporting revenue increases. Whether it's security or anything else. I don't like it.

Ms. ALEXANDER. Well, thanks for hearing my views.

Mr. OBEY. Sure.

Mr. MCHUGH. Thanks for being here.

Our next witness is the Rev. T. Byron Collins. I don't see him. Is he here?

[The prepared statement of Mr. Collins follows:]

TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON FOREIGN OPERATIONS
APRIL 10, 1986

Mr. Chairman, Members of the Subcommittee:

I am Reverend T. Byron Collins, S.J., Special Assistant to the President of Georgetown University and with me is Mary S. Albert, Assistant to the Chancellor for Intergovernmental Relations of the Medical Center.

We are here today to urge your support of full funding of Natural Family Planning programs under the population planning activities of the Agency for International Development (AID).

In September of this year, Georgetown received an award from AID for a program of research and training in Natural Family Planning. The purpose of the program is to increase the knowledge, acceptability and effectiveness of Natural Family Planning, particularly in developing countries.

The funding of Natural Family Planning programs represents only one to two percent of the AID population budget. Our program will include biomedical research, sociological and epidemiological research, and demonstration and outreach components in selected countries. This program, we believe, will offer a family planning option that is culturally or religiously more acceptable to many third world peoples.

The Administration's proposed budget does not identify funding by activities, and has only $1.6 billion as the total amount requested, 92% of the FY 1985 amount. It is important that the specific activities of the population planning program, (and natural family planning) not be singled out for additional funding cuts. We urge your support of these programs and thank you for the opportunity to testify.

Mr. McHugh. Mary Albert?

That concludes the list of witnesses that we have. Are there others here who wish to testify?

With your permission, Mr. Chairman, this will conclude our hearing.

[Note.—Prepared statements follow of outside witnesses who could not appear at the hearing:]

THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

THOMAS L. BREWER
Georgetown University
School of Business Administration

STATEMENT BEFORE THE SUBCOMMITTEE
ON FOREIGN OPERATIONS
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

Washington, D. C.
April 10, 1986

Mr. Chairman and Members of the Subcommittee, I am pleased to be able to testify in support of U.S. membership in the Multilateral Investment Guarantee Agency (MIGA). I am acutely aware of the uncertainty and the unusual constraints involved in the budget process this year. It is unfortunate that the opportunity the United States has been seeking since the 1950s has finally come at a time when U.S. budget problems create an extra consideration in the creation of a MIGA. Yet, the amount of money involved is quite modest relative to the amounts in other portions in the budget. A single outlay of $22 million is being requested by the administration. It is important to recognize that this is expected to be a *one-time* outlay. Membership in MIGA does *not* entail a commitment to subsequent regular annual expenditures. Indeed, a single, relatively small expenditure now could *yield highly leveraged long-term rewards for U.S. business and the U.S. Government.* For example, the potential for many millions of dollars per year in additional *private* direct investment flows could reduce the need for official U.S. Government aid. Furthermore, as much as 80 percent of the initial capital for MIGA will be contributed by countries other than the United States. Several countries have already become signatories, and many other countries are expected to become signatories soon.

There are, moreover, three specific compelling reasons why the U.S. should become a member of MIGA.

First, it is in the long-term economic interest of the United States to do so, since membership in MIGA will be beneficial for American producers and American consumers as well as the U.S. Government. Membership in MIGA will help United States firms to meet the challenge of becoming more competitive in an increasingly globalized economy. Membership in MIGA will also facilitate the efficient allocation of scarce resources and thus contribute to the availability of lower-priced goods for American consumers.

Second, the creation of the proposed agency will help to establish a public policy framework that will facilitate private business activity. MIGA is a tangible and constructive response to the need for new forms of business-government relationships. MIGA can help to create a new environment within which private investment can contribute to an increase in global wealth.

Third, if the Congress does not act now, an historic opportunity will be missed. After a quarter century of American interest in the creation of a multilateral investment guarantee agency, there is now finally sufficient support in other industrial countries and in developing countries so that this long-standing objective of American international economic policy can be achieved. If the Congress does not take advantage of the current convergence of international support for MIGA, it may be many years, if at all, before such an opportunity presents itself again.

The remainder of this statement briefly describes the background of MIGA, the current situation, the proposed activities of the agency, its financial arrangements, and its organizational structure and procedures.

Background

U.S. administrations of both parties have supported various multilateral investment guarantee schemes that have been proposed from time to time over the past 25 years or so. From the administration of John F. Kennedy to the administration of Ronald Reagan, there has been more or less continuing support for the basic concept of a multilateral investment guarantee scheme. Although enthusiasm in the American government has waxed and waned according to the particulars of the proposals under consideration at different points in time, the basic inclination has been to support the creation of such an agency.

Furthermore, the Congress itself has several times urged the creation of a multilateral investment guarantee agency.

In comparison with the recurrent U.S. support in Congress and in administrations of both parties, other industrial countries and developing countries have been divided and inconsistent in their attitudes. Some industrial countries, such as the Netherlands and Sweden, have consistently favored the creation of an international agency to guarantee foreign direct investments in developing countries; other industrial countries, such as France, The Federal Republic of Germany, The United Kingdom and Japan, however, have at times tended to be opposed or lukewarm.

Developing countries have also been divided and ambivalent. Although many developing countries have liked the basic concept, they have opposed some specific provisions of various tangible proposals that were under active consideration in the past. Furthermore, some developing countries opposed the creation of such an agency because of a generalized hostility toward multinational corporations from industrial countries, particularly since such corporations were seen as symbols of neo-colonial domination. During the past few years, however, there has been a shift in attitudes in both industrial and developing countries. There is now less opposition outside the United States than there was at any time in the past.

Current Situation

I believe that a new consensus has developed, and it makes the present time propitious for the creation of a multilateral investment guarantee agency. There are three principal reasons for the emergence of this new supportive consensus.

The first reason is that the external indebtedness problems of the developing countries have made direct investments by manufacturers and other types of firms seem much more attractive. In the developing countries themselves, the immediate appeal of direct investment is that it helps to alleviate the balance of payments and capital flow problems associated with the external debt crisis. In the industrial countries, furthermore, direct investment in the present context has come to be seen as a potentially more important supplement to the transfer of resources through official economic assistance programs and private bank lending.

A second reason that attitudes are now more receptive to the creation of a multilateral guarantee agency is that there is less tension between developing and industrial countries over direct investment and the activities of multinational corporations. In short, the developing countries have become more receptive to foreign direct investment by firms from the United States and other industrial countries because there is now less fear that foreign-based corporations will come to dominate the economies of developing countries. There is instead a more widespread belief in developing countries that direct investment by foreign-based firms can make constructive and lasting contributions to the development process.

A third reason for the current receptivity to the creation of a multilateral investment guarantee agency is that certain features of the present proposal are responsive to previously expressed concerns of many governments. For example, the present proposal provides for capital contributions by developing countries as well as industrial countries. Thus, the present proposal is responsive to the objection of some industrial countries that previous proposals would not have required a direct financial participation by developing countries in the initial funding and contingent obligations of the agency.

Additional features of the current proposal are discussed in the following sections in relationship to the proposed activities, financial arrangements and procedural aspects of the agency.

MIGA's Activities

The principal purpose of MIGA is to facilitate direct investments in developing countries by issuing guarantees against non-commercial risks. In particular, four principal types of risks would be covered: (1) the risk of host government restrictions on currency conversion and transfer, (2) the risk of losses from host government actions that would deprive investors of ownership or control of their investments, i.e. expropriation, (3) the risk of repudiation of government contracts where investors do not have access to adequate means of resolving the conflict through judicial procedures, and (4) the risk of armed conflict or civil unrest. Since currency incovertibility (or "transfer risk") is currently the most common of these problems encountered by firms in developing countries, MIGA would probably place initial emphasis on issuing guarantees against this type of risk.

New investments of a medium-to-long-term nature would be eligible for coverage. These would be direct investments (as opposed to portfolio investments or lending) in which American firms or firms of other countries would exercise substantial control over the projects. The investors whose projects would be covered by MIGA guarantees would have to be from countries that are members of MIGA. Thus, for example, a U.S. firm would only be able to use MIGA coverage if the U.S. becomes a member. Similarly, only projects in countries whose governments are also members of MIGA would be eligible for coverage. (Sponsored investments, discussed below, are an exception.)

In addition to issuing its own guarantees solely on its own behalf, MIGA would be able to coinsure and reinsure projects guaranteed by national agencies such as the U.S. Overseas Private Investment Corporation. Through MIGA's reinsurance, OPIC could with the same resources expand its coverage of American investors. In addition there is a provision in the MIGA convention for sponsored investments, whereby MIGA would act as an administrator for guarantees sponsored by national governments.

Besides providing these guarantee programs, MIGA would become a source of information for investors about opportunities for projects, and it would also be a source of technical advice to governments concerning their investment policies. Furthermore, MIGA could become an important international forum for the discussion of investment policies and problems. In a variety of ways, therefore, MIGA could contribute to the reduction of barriers to international direct investment and thus improve the investment climate.

A less obvious, but nevertheless quite significant, function of MIGA that should not be overlooked is that MIGA could also actually reduce the risks associated with direct investment projects in developing countries by indirectly influencing host government policies. The convention provides for MIGA's offering of technical advice and assistance to improve the conditions for investment in member countries and to remove impediments to the flow of investments to them. It is also reasonable to suppose that host governments will be less likely to undertake actions (or avoid actions) constituting the risks against which MIGA would be issuing guarantees. A host government would be reluctant to become involved in a situation in which MIGA would be having to pay claims as a result of that host government's actions. (If MIGA would have to pay an investor compensation for losses suffered by the investor as a result of a host country action, then MIGA would acquire any rights or claims of the investor against the host country. Thus, the host country would be in a position of having to settle with MIGA by paying the agency so that it could recoup its payments previously made to the investor.)

Financial Arrangements

The total authorized capital base for MIGA is one billion SDRs in initial share capital. Ten percent of this would be in the form of cash payments, 10 percent in promissory notes, and the remainder subject to call. This means that the U.S. cash outlay is only $22 million.

Although all members of the World Bank plus Switzerland would be eligible to become members of MIGA, the MIGA convention provides that the agency will enter into force as soon as five industrial countries and fifteen developing countries ratify their membership in MIGA (if their total subscriptions would equal at least 360 million SDRs). The actual capital base therefore depends on the particular countries that decide to become members. The amount of guarantees that MIGA can issue is of course dependent upon its financial resources; the larger the membership, the greater the amount of guarantees.

MIGA is expected to become a self-supporting institution since it will charge premiums for its guarantees. Furthermore, as it accumulates reserves, it will be able to expand its guarantee operations. The convention initially limits MIGA's coverage to 1.5 times its available resources to pay claims; eventually this ratio could be increased to 5.0.

Structural and Procedural Arrangements

The basic structure of MIGA will be similar to the World Bank. MIGA will thus have a Council of Governors consisting of representatives from all member countries, a much smaller Board of Directors that will be directly involved in setting most agency policies, and a staff headed by a President. The convention specifically provides that the Chairman of the Board of Directors will be the President of the World Bank. According to custom, therefore, an American is expected to be the Chairman of the Board of MIGA, and will nominate the President of MIGA.

The voting arrangements assure that the industrial countries in general and the United States in particular will have a strong influence in the agency. There will be weighted voting in the Council, whereby the United States will have a share of the total votes approximately in proportion to its financial contribution. Moreover, the United States is assured of having a permanent member of its own on the Board of Directors.

It is important, therefore, to note that MIGA could not become an agency dominated by developing countries. On the contrary, the voting arrangements facilitate a high degree of collaboration between industrial and developing countries.

Conclusion

It would be tragic if a short-sighted concern with this year's unique budget situation led the Congress to miss an historic opportunity to promote U.S. interests for the indefinite future. MIGA represents the fruition of more than two decades of U.S. diplomatic efforts. It is an idea whose time has come, and there is now diplomatic momentum behind it. Congress should act now to take advantage of the opportunity.

ROGER LANDRUM, PRESIDENT
RETURNED PEACE CORPS VOLUNTEERS OF WASHINGTON D.C.
BEFORE THE FOREIGN OPERATIONS SUBCOMMITTEE
APRIL 10, 1986

I appreciate the opportunity to submit a statement on the Peace Corps budget with this subcommittee. I am currently president of a volunteer organization called the Returned Peace Corps Volunteers of Washington, D.C. (RPCV/W). Our group has over 700 members, all returned Peace Corps volunteers and staff, most of whom work in the Washington area. We also have members in over 12 states and 9 nations.

Members of RPCV/W feel strongly about the importance of our Peace Corps experience, both for the countries in which we served, and for our own development in a range of professional interests. Our members work in international development organizations, government agencies, legislative offices, and many other institutions where familiarity with the concerns of less-developed countries has greatly assisted our work in the U.S. and elsewhere. Because we recognize the value that our Peace Corps experience has had in our lives and in the organizations in which we work, we want to ensure that the experience be made available to other Americans as well.

We are grateful that Congress in recent years has supported increases in Peace Corps funding. Last year you appropriated $130 million, a $5.6 million increase over the Administration's FY 86 request. Since 1983, Congress has consistently appropriated more funds than requested for the Peace Corps.

This broad-based congressional support not only reflects congressional enthusiasm, but also speaks for the considerable accomplishments of the Peace Corps in meeting its goals. In its 25 year history, the Peace Corps has consistently demonstrated the success of its people-to-people approach to development assistance, providing technical assistance at the community level, and assisting people to further their own self-reliance. In programs of education, food production, business cooperative development, health, nutrition and the like, Peace Corps volunteers have demonstrably assisted in improving the quality of life of people in communities in the 62 countries in which they serve.

In FY 86, Congress also passed legislation calling for a Peace Corps of 10,000 volunteers by 1990, a doubling of current levels. This would begin to restore the Peace Corps to more appropriate programming levels worldwide. Funding declines throughout the 1970's resulted in the removal of Peace Corps from all but two countries on the South American continent and to only sparse representation in much of Asia. The current appropriation of $130 million can support 5,500 volunteers in the field. Obviously Congress must appropriate a higher level of funding if the programming goal of 10,000 volunteers is to be met.

Given the current legislative imperatives to control budget deficits, it appears a doubling of funding for the Peace Corps would be unlikely. Indeed, in spite of the authorization language passed last year, the Administration has again requested a cut in funding for the Peace Corps, to $126.2 million. However, such a cut would have a very detrimental impact on Peace Corps programming.

Just as an example, if the Peace Corps budget were cut 20 percent, as has been proposed in some quarters, the following impact on volunteer programs would result:

- only 500 new volunteers could be trained
- the worldwide level of volunteers would be reduced to about 3,000
- such a reduction would require the early termination of some country programs.

These drastic programmatic changes would be the result of such proposed budget cuts because reductions currently being carried out are already eliminating new recruiting programs, the development of new training materials, most staff travel, and most conferences and training programs for administrative staff.

This is the 25th anniversary year of the Peace Corps. In the past 25 years, over 110,000 U. S. citizens have served as Peace Corps volunteers in 92 countries. Now is the time for our nation to re-affirm its commitment to the goals of the Peace Corps, acknowledging its importance in transferring assistance to developing countries and in educating a generation of Americans to their role in the world. Now is not the time for reductions in this noble national effort. As returned volunteers, we strongly support increasing funding for the Peace Corps from $130 million in FY 86 to $137.2 million in FY 87. This figure represents Peace Corps' best estimate of the level of funding for FY 87 needed to begin increasing Peace Corps programming to 10,000 by 1992. $37.2 million would support an increase to approximately 6,100 volunteers next year.

We appreciate this Committee's support of Peace Corps funding, and look forward to your continued support as you consider next year's funding measure. Thank you.

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA

STATEMENT OF

DALE S. DE HAAN
DIRECTOR

IMMIGRATION AND REFUGEE PROGRAM
CHURCH WORLD SERVICE

on the subject of

MIGRATION AND REFUGEE ASSISTANCE

Submitted to the

SUBCOMMITTEE ON FOREIGN OPERATIONS
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

Washington, DC
April 10, 1986

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A Program of the Division of Overseas Ministries

April 10, 1986

STATEMENT OF DALE S. DE HAAN
DIRECTOR
IMMIGRATION AND REFUGEE PROGRAM
CHURCH WORLD SERVICE

Mr. Chairman, members of the Appropriations Subcommittee on Foreign Operations, there are this year ever-increasing numbers of refugees around the world in need of protection, assistance, resettlement, and rehabilitation. The Migration and Refugee Assistance account is critical to our country's ability to respond to these needs. We view these funds as truly necessary to the effort of ensuring appropriate programs of life-saving refugee rescue throughout the world.

We are quite well aware of the budget pressures placed upon us all in 1986, and the desires of Members of the Subcommittee to maintain a sense of equity between programs of basic human need and security assistance. It is our intention by this statement to convey to you the strong support within our member Protestant communions for the refugee program as one which responds not just to basic human needs, but in most cases also to basic human survival. Our 31 member Protestant bodies encompassing over 33 million church members have been strong supporters of refugee programs overseas, as well as the resettlement of refugees at home. Since its founding 40 years ago, we have resettled through churches over 400,000 refugees.

We offer four observations which we believe to be particularly relevant to the Migration and Refugee Assistance account today.

First, the burden for caring for refugees is one which is internationally shared. Indeed, the U.S. government contribution to international refugee programs is higher than that of any other government. However, the United States rates fifth internationally in contributions per capita to international programs of refugee assistance. Americans contributed through their taxes $0.80 for such programs in 1985, while Norwegians contributed $4.43 1.

In resettlement terms, international burden sharing also exists. Over the past ten years, the United States has resettled approximately 950,000 refugees, one refugee for every 252 persons in our population 2. While again in overall terms we have resettled more than any other country, in resettlements as a ratio of overall population, the United States rates seventh internationally.

Second, the protection which this account affords is something without which refugees could not survive. Refugees in many parts of the world find themselves in life-or-death situations. This is true of areas of Central America, Southern Africa, Southeast Asia, as well as other locations. Refugee protection is a fundamentally important role which the Bureau for Refugee Programs plays. The Bureau does so along with the U.N. High Commissioner for Refugees (UNHCR), who possesses the international refugee protection mandate and receives U.S. funding through this account.

The international refugee protection mandate of the UNHCR is one which the Subcommittee should constantly reinforce. As refugees continue to find themselve trapped in highly charged conflict situations, support for the protection function of the UNHCR, as well as apppropriate interventions by the U.S. Government, should remain a priority. Diplomatic demarches orchestrated by the Bureau for Refugee Programs and the UNHCR, as well as the physical presence of UNHCR officers in the midst of tenuous refugee situations, has saved the life of many a refugee.

Third, this account enables a long-standing partnership between the public and private sectors in the resettlement of refugees in the United States. Once a refugee is accepted for resettlement in the U.S., that refugee is permitted entry upon the receipt of sponsorship. In the case of Church World Service, such sponsorship is performed through our member religious denominations. The Bureau for Refugee Programs provides a "reception and placement" grant of $560 per refugee resettled to help offset some of the initial costs of resettlement.

However, each of these federal dollars frees up many more from the private sector. A comprehensive survey by Church World Service revealed, for example, that congregations which sponsored refugees through Church World Service contributed over $133 million over the three and a half year period from FY 1980 through the first half of FY 1983 3. In the same period, Church World Service received approximately $7 million in per capita grants from the Bureau for Refugee Programs. This truly outstanding contribution by the private sector to refugee resettlement is evidence not only of the effectiveness of federal support in freeing up private dollars, but also is representative of the deep support in the church community for the resettlement of refugees in this country.

Finally, we point out the critical need to support efforts to rehabilitate refugees overseas. This account provides an opportunity to enable self-sufficiency programs particularly in parts of Africa. These programs have taken place on a limited scale over the past few years, as suggested by a recent State Department report on the Second International Conference on Assistance to Refugees in Africa (ICARA II) 4. The Bureau for Refugee Programs enables limited programs of self-sufficiency by funding the multi-lateral programs of the UNHCR as well as some projects operated by private voluntary organizations.

Perhaps the most effective action which the Subcommittee can take at this time would be to ensure that development plans for countries heavily impacted by refugee populations include calculations for accomodating the refugee presence. This would involve very explicit cooperation between various U.S. Government entities, primarily between the Bureau for Refugee Programs and the U.S. Agency for International Development. For example, the USAID Country Development Strategy Statements for countries such as Somalia, Sudan, Uganda, or Rwanda should have explicit reference to the rehabilitation needs of refugees within those countries (as well as the economic benefit derived from the refugees' presence, as is true in some situations). Such Statements should be developed in these examples with the expertise of the Bureau for Refugee Programs.

In conclusion, Mr. Chairman, we reiterate the strong support within the religious community for the activities enabled by this important account, for which we urge the Subcommittee's support.

ENDNOTES

[1] U.S. Committee for Refugees, World Refugee Survey: 1985 in Review, p. 40.

[2] World Refugee Survey, p. 40.

[3] Immigration and Refugee Program, Church World Service, Making It On Their Own: From Refugee Sponsorship to Self-Sufficiency, December 1983, p. 69.

[4] U.S. Department of State, "ICARA II", transmitted to Appropriations Committee members on March 14, 1986, under cover of a letter from James W. Dyer, Acting Assistance Secretary, Legislation and Intergovernmental Affairs.

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April 18, 1986

The Honorable David R. Obey
Chairman
Subcommittee on Foreign Operations
House Committee on Appropriations
H-218 Capitol Building
Washington, D.C. 20515

Dear Chairman Obey:

We welcome the opportunity to offer our views on the funding of Export-Import Bank operations for Fiscal Year 1987, in connection with the subcommittee's hearings on appropriations for foreign assistance and related programs for FY 1987.

As you may know, the Institute represents the capital goods and allied products industries of the United States. In addition to traditional capital goods product lines (e.g., machinery and other industrial equipment), MAPI's constituency includes leading companies in the electronics, precision instruments, telecommunications, computer, office systems, aerospace, and similar high-technology industries.

Before offering our views in detail, we should acknowledge the difficult decisions the Congress must make in cutting government expenditures in its effort to reduce the federal deficit. This is particularly the case since each proposal relating to this goal must be examined on its merits in light of the long-range interests of the United States. It is in this framework that we believe adequate funding of the Export-Import Bank to be an essential part of a wide-ranging program to improve the international competitive position of the United States in order to reduce the trade deficit, a problem no less serious than the budget deficit. Further, budgetary restraints which lead to loss of business and employment will have the counterproductive effect of reducing the revenue side of the budget.

MACHINERY & ALLIED PRODUCTS INSTITUTE AND ITS AFFILIATED ORGANIZATION, COUNCIL FOR TECHNOLOGICAL ADVANCEMENT, ARE ENGAGED IN RESEARCH IN THE ECONOMICS OF CAPITAL GOODS (THE FACILITIES OF PRODUCTION, DISTRIBUTION, TRANSPORTATION, COMMUNICATION AND COMMERCE) IN ADVANCING THE TECHNOLOGY AND FURTHERING THE ECONOMIC PROGRESS OF THE UNITED STATES

Summary of MAPI Position

We urge that the Congress provide an adequate level of funding for the Bank. Failure to do so can only contribute to the further erosion of U.S. international market shares.

More specifically, we believe the full amount of the $1.8 billion in direct lending authority that is called for in the proposed FY 1987 Budget should be authorized for the following reasons:

-- Although the Bank's direct lending has totaled less than $1 billion in each of the last two fiscal years, the Bank estimates that the demand for its loans for Fiscal Year 1986 may exceed the $1.06 billion limitation on direct lending, resulting in some overhang for FY 1987. Should this occur, with the decline of the dollar and the likelihood of continued improvement in the world economy, the FY 1987 demand for Eximbank loans could easily reach the $1.8 billion range.

-- Further, it should be noted that the Bank's assumptions as to demand (1) do not include possible credits for commercial aircraft or nuclear plants and (2) do include an assumption, based on present private market rates and the minimum rates established under the International Arrangement on Guidelines for Officially Supported Export Credits, that direct loans will be confined largely to the Category III (Relatively poor) countries. If domestic interest rates should rise significantly over the next 18 months, Bank financing support for transactions in Category II (Intermediate) countries also might be necessary.

-- The existence of a lower loan "cap" would create uncertainty on the part of exporters and foreign customers as to whether Eximbank support will be available when it is needed. Since this element of uncertainty is particularly important in the case of projects which have long lead times, U.S. firms that have the option of foreign sourcing may choose to have their foreign affiliates take the responsibility for such projects from the outset.

The MAPI Position in Detail

Excessive Restraint

Although the House Committee on Budget has not yet acted on a Budget Resolution for FY 1987, we have noted that the Senate Committee on Budget has ordered reported S. Con. Res. 120 which would limit all Eximbank financing to $1.06 billion for FY 1987. If this ceiling is adopted in the Foreign Assistance and Related Programs Appropriations Act, 1987, we believe:

- -- Eximbank would not be able to meet the anticipated demand for its services, described above, thus contributing to the exodus of production from the United States.

- -- The Bank would not have adequate resources to sustain its tied-aid credit program, thus jeopardizing the possibility of the United States negotiating improvements in the international Arrangement on Guidelines for Officially Supported Export Credits to limit the increasing use of tied-aid credits.

- -- The excessive restraint would clearly impair Congress' goal set forth in the "competitiveness mandate" provisions of the Export-Import Bank Act enacted in 1983.

To generalize, adequate funding of Eximbank--and the provision by the Bank of programs fully competitive with those offered by other major industrial nations--should be considered as part of a wide-ranging program to improve the attractiveness of the United States as a source for manufacturing. That is, fully competitive export financing should be an important part of a program which also includes: the recently initiated efforts to lower the value of the dollar and to eliminate or reduce foreign barriers to U.S. exports of goods and services; a tax system having as one of its principal objectives improving the international competitive position of the United States; and to reduce the "regulatory maze" confronting exporters as a result of the proliferation of export controls, the Foreign Corrupt Practices Act, antiboycott regulations, etc., that have the effect of increasing U.S. administrative costs relative to those of our competitors and impede U.S. exports to a growing number of markets.

We believe the Bank should be funded with a combination of direct lending authority and, assuming that the "scoring" of Eximbank activities as proposed in the FY 1987 Budget is accepted (i.e., guarantee authority is not counted as a budget outlay), the authority to support loans from private institutions through the I-Match interest subsidy program. Direct loans from the Bank are a proven, effective way to provide U.S. exporters with competitive export financing. The I-Match proposal is of course untried but, given the receptivity of Eximbank to suggestions that could improve its effectiveness, it appears to be the view of private financing institutions and exporters that it could be a useful tool for export financing. Although the I-Match program would be more expensive than an equivalent amount of Bank direct loans because of the higher cost of funds for private borrowers, such an approach appears to be in line with the desire of the executive branch and the Congress to reduce government lending programs. As noted by Representative Stephen L. Neal, Chairman of the Subcommittee on International Finance, Trade, and Monetary Policy of the House Committee on Banking, Finance and Urban Affairs, in remarks that appeared in the March 25, 1986, Congressional Record, there are other attractive features of I-Match. By offering an enhanced guarantee as a part of I-Match and permitting some transferability of the Bank-guaranteed obligations, the program would attempt to enlist many types of financial institutions--not just a few commercial banks--in the financing of U.S. exports. This is of course an important consideration since most commercial banks, adversely affected by the debt crises in a number of countries, have severely curtailed their export financing.

Lack of Consistency and a Strong Commitment to U.S. Export Financing

The record.--When one reviews the "stops and starts" in the funding for Export-Import Bank in recent years and the regulatory impediments placed on the Bank, it is not surprising that some U.S. firms whose exports depend heavily on financing--as well as a number of foreign customers who require that their imports be financed--regard the United States as an uncertain source of financing. During the Reagan Administration alone, the Bank was, in effect, inoperative from February until July 1981; received reduced funding for fiscal years 1982 and 1983; and was lending continuously at rates above--at times far above--the international Arrangement minimums until January 1983. This uncertain outlook for export financing is of course not only a matter of the past; it is continuing. During this fiscal year it was not clear until late December, three months into FY 1986, whether Eximbank would be funded at the "high" level ($1.8 billion) authorized by the congressional budget resolution and the Senate Committee on Appropriations (a level $2 billion below the level authorized in FY 1985), at the low level authorized by the House Committee on Appropriations ($784 million), by an interest subsidy program ("I-Match") proposed by the Administration in its FY 1986 Budget, or by some combination of direct lending and an interest subsidy program. A company working up a bid proposal which has the option of supplying the export from overseas sources may well question whether it is worth betting that U.S. export financing support will be available should it win the order.

Restrictions also have been placed on the Bank's authority to lend to certain countries. These include the ongoing restrictions on loans to the Soviet Union and other communist countries which do not recognize the right of emigration, South Africa, and, of course, several other countries where all U.S. trade is prohibited--Libya, Nicaragua, Cuba, Vietnam, North Korea, and Kampuchea. While one can of course justify restrictions on trade with a country under certain conditions, both the length of the U.S. list and, more importantly, the extent to which it is subject to change, further create uncertainty in the minds of both the exporter and importer. No other country has so many markets "off limits" for trade or export financing.

The cost.--One aspect of the U.S. competitive problem that warrants increased attention is the shifting of sourcing for foreign markets from the United States to overseas manufacturing facilities of U.S. firms. While such sourcing decisions are made for a number of reasons, particularly lower cost and improved quality, the availability of competitive export financing is also an important factor in many such sourcing decisions. The following comments bear on this point:

-- During 1981 the Export-Import Bank was inoperative for several months while the new Administration was developing its policies, and subsequently was lending at interest rates well above those of its major competitors for the remainder of the year. In early 1982 MAPI surveyed a small sample of its member companies concerning instances during 1981 in which they sourced from a foreign subsidiary or other foreign affiliate in order to provide competitive export financing. Of the 39 companies surveyed, 14 reported that 39 transactions, with a dollar value of $386.7 million, were diverted in 1981 to foreign affiliates primarily, if not exclusively, because of more attractive export financing. For reasons we need not detail here, these results understate the exports "lost" by the reporting companies.

-- Much of the business lost to foreign sources, affiliated and unaffiliated, may not return to the United States for the foreseeable future. The shifts which have taken place--due in large part, but by no means entirely, to the high value of the dollar--may become permanent because of the upgrading of the technology and the state-of-the-art production experience of foreign producers. This appears to be the case particularly for production shifts to countries on the Pacific Rim.

-- Capital goods orders lost currently also result in substantial losses of future business. Orders for "big ticket" items, such as capital goods, are placed at infrequent intervals--in many cases at intervals of several years, or even a decade. When the initial order is lost to a foreign competitor, that competitor obtains the substantial business in repair parts and spares which follows for a number of years, and also is more likely to be the favored supplier when there are additions to capacity.

This concludes our comments. Please let us know if MAPI can be of further assistance in the subcommittee's deliberations concerning this legislation.

Sincerely,

Charles Stewart

President

Statement of

Reverend Nicholas DiMarzio
Executive Director
Migration and Refugee Services
United States Catholic Conference

on the subject of

Migration and Refugee Assistance

Submitted to the

Subcommittee on Foreign Operations
Committee on Appropriations
U.S. House of Representatives

April 25, 1986

April 25, 1986

STATEMENT FOR THE RECORD

Reverend Nicholas DiMarzio
Executive Director
Migration and Refugee Services
United States Catholic Conference

Mr. Chairman, members of the Appropriations Subcommittee on Foreign Operations, thank you for the opportunity to submit this statement for the record at this critical juncture in our nation's continuing response to the needs of refugees.

According to agencies that keep concerned and watchful eyes upon the world's refugees, the number of people forced to flee their homelands increased during 1985 to somewhere between ten and twelve million. In general, U.S. response to this international refugee crisis has been generous and admirable. The U.S. government has continued its commitment to anti-piracy efforts that could save untold numbers of refugees adrift in the South China Sea. And surely the funds that the U.S. has allocated for African famine relief have meant the difference between life and death for countless refugees.

The U.S. Catholic Conference applauds these international humanitarian efforts on behalf of refugees. But while some U.S. refugee policy deserves praise, other significant aspects invite comment. It is our feeling that the U.S. response to refugees falls short of our American tradition--a tradition of welcoming the tired, the poor, the huddled masses yearning to breathe free.

Admissions

We address our most serious criticism to the Refugee Admissions category of the FY1987 Migration and Refugee Assistance budget request. The U.S. Catholic Conference is distressed with the proposed reduction in refugees admissions levels. The budgeted admissions level of 63,000 refugee represents a decrease of 6% from FY86 authorized levels and 70% lower than in 1980.

The Department of State has indicated that for the majority of the world's refugees, a safe return to their countries of origin or establishing new lives in countries of first asylum are solutions preferred over third country resettlement. We concur with this principle. However, third country resettlement is the only option available to a certain small percentage of the world's refugees. The continuing decline in admissions levels over the past several years appears to be a trend in U.S. government policies which has not taken into consideration the continuing need for resettlement opportunities for those refugees who have no viable alternative.

Experience has shown that when the U.S. restricts refugee admissions, other western resettlement countries follow suit, thus resulting in even fewer resettlement opportunities for this small minority of refugees. Experience has also shown that restrictive U.S. refugee policy causes first-asylum countries to deal with the refugee crisis through forced repatriation, a solution that has meant loss of lives.

Reception and Placement Services

Included in the Refugee Admissions category are funds used by the Bureau for Refugee Programs to contribute towards the cost of providing reception and placement services through voluntary agencies, such as the U.S. Catholic Conference. In 1975, the grant awarded to participating voluntary agencies amounted to $500 per refugee. In FY1986, the amount is $560 per capita-- substantially below inflation and cost-of-living levels during this period. While this funding available through the Bureau for Refugee Programs is not intended to cover all expenses incurred in providing services to refugees, the continuing decline in the real value of the State Department's investment in these costs tends to diminish the government's commitment to the public-private partnership. It has been this unique partnership that has allowed the U.S. Government to fulfill its humanitarian principles so successfully over the years.

We note that the FY1987 budget request calls for an increase in the reception and placement grant to $600 per capita. We support this overdue adjustment.

Enhanced Resettlement Demonstration Projects

A $2 million cap on enhanced resettlement services through demonstration projects was established by the Department of State Authorization Act for FYs1986 and 1987. It was due, at least in part, to this cap that the Bureau for Refugee Programs discontinued funding for the Chicago Resettlement Demonstration Project in FY1986. While an objective evaluation of this project has yet to be conducted, our agency's experience suggests that the Project was quite successful. At a time when the federal government is seeking more cost effective approaches to refugee resettlement, these types of demonstration projects should be encouraged and authorized at appropriate levels.

Intergovernmental Committee for Migration (ICM) Loans

The State Department proposes to fund $36 million in FY1987 to provide transportation services through a program administered by ICM. This program facilitates the transportation to the U.S. of refugees (and an increasing number of immigrants) through the provision of travel loans.

Based on an admissions' level of 63,000 refugees and 9,500 immigrants and U.S. citizens, total transportation costs amount to $48,000,000. Thus, the State Department expects $12,000,000 in outstanding travel loans to be collected.

April 25, 1986

Because of the circumstances under which the 9,500 immigrants and U.S. citizens to be admitted in FY1987 are processed for admission, the voluntary agencies are expected to provide many of the same services as those provided to persons admitted as refugees.

For processing immigrant visa cases, as with refugees, the voluntary agencies are called upon to fulfill pre-arrival processing requirements such as documentation processing, sponsor verifications, and transportation arrangements, to name but a few.

We propose that the costs incurred by the voluntary agencies associated with processing these immigrant visa cases and U.S. citizens be added on a per capita basis to the travel loans administered by ICM. Our agency calculates these activities to cost approximately $300 per capita on average.

If such a policy were to go into effect, the State Department would need to designate additional funds for the ICM travel and processing loan account.

Conclusion

The very lives of many of the world's refugees are at the mercy of western policymakers. These policymakers need to be reminded of Shakespeare's words, that "the quality of mercy is not strained." The American people's generous response to the world's refugees should not be conditioned by domestic considerations at a time when third country resettlement opportunites dwindle. While Americans plan a Statue of Liberty centennial to celebrate our tradition of welcoming the world's strangers, U.S. policymakers should reaffirm Lady Liberty as a free people's example for the rest of the world.

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EMB/200/126/5

18 April, 1986

Congressman David Obey
Chairman
Foreign Operations Subcommittee
House Appropriations Committee
H-307 Capital Building
Washington, D.C. 20515

Dear Congressman Obey:

On April 10, 1986 your subcommittee on Foreign Operations held hearings on Fiscal Year 1987 Budget Proposals. Among matters addressed at the hearing was the subject of drugs and narcotics.

The Bahamas Governmnet is particularly anxious to continue cooperative efforts with the Government of the United States in the area of the interdiction of illegal narcotic traffic and the control of narcotics abuse.

I therefore wish to bring to your attention and to the attention of members of your subcommittee, a "Review of Joint U.S. - Bahamian Cooperative Efforts in the War Against the Traffic of Illegal Narcotic Drugs" recently prepared by appropriate authorities in The Bahamas, and to respectfully request that the "Review" be included as part of the hearing record of April 10, 1986 hearings before your subcommittee.

As your subcommittee will appreciate, The Bahamas is especially concerned that budgetary cuts not jeopardize the continuation and indeed the expansion of programmes working to our mutual benefit in reducing the traffic in narcotic drugs.

Sincerely

M. Teresa Butler
Charge d'Affaires a.i.

REVIEW OF JOINT U.S. - BAHAMAIAN COOPERATIVE EFFORTS IN THE WAR AGAINST THE TRAFFIC OF ILLEGAL NARCOTIC DRUGS

THE BAHAMAS' GEOGRAPHICAL POSITION, LYING OFF THE SOUTHEASTERN COAST OF THE NORTH AMERICAN CONTINENT, MAKES IT VULNERABLE TO ACCESS AS A PIPELINE FOR THE DRUG TRAFFICKING TRADE. ITS "TRANSIT STATE" STATUS CALLS FOR CONSIDERABLE FUNDS TO PREVENT THE PASSAGE OF DRUGS THROUGH ITS LAND, SEA AND AIRSPACE. TO PROPERLY PERFORM THIS TASK REQUIRES LAW ENFORCEMENT AGENCIES WHICH CAN OPERATE IN ALL THREE ENVIRONMENTS. THE ENORMITY OF THIS TASK MAY BE APPRECIATED WHEN ONE RECOGNIZES THAT THE BAHAMAS IS AN ARCHIPELARGIC STATE COMPRISED OF SOME 700 ISLANDS SCATTERED OVER AN AREA OF 100,000 SQUARE MILES OF SEA. THE BAHAMAS HAS A TOTAL ESTIMATED POPULATION OF 240,000 PEOPLE. AS A RESULT THE VAST MAJORITY OF THE ISLANDS HAVE NO PERMANENT YEAR ROUND POPULATION.

For years the Bahamian Defence Force officials have faced the seemingly insurmountable task of patrolling the marine areas to curb the three-pronged threat of illigal fishing, drug smuggling and illegal immigration.

Prior to The Bahamas gaining independence in 1973 the onus of patrol fell upon the British. A British frigate patrolled the areas and some military aircraft were based in Nassau. Although the frigates have good communication equipment, this type of vessel was not designed for patrol in The Bahamas where the sea bank's average depth of water is about ten feet. In addition the archipelagic nature of the territory was a disadvantage for the Royal Navy Frigates.

By mid-1970's the Marine Division of the Police was expanded and the Royal Bahamas Defence Force (RBDF) was created to operate the four MK 60 feet patrol boats previously owned by the Police and thirteen other crafts ranging in size from twenty-nine feet to one-hundred and fifty feet.

The quickest and most efficient way to patrol an area is by aircraft. In 1981 the Government formed the Defence Force Airwing and leased an aero-commander from Bahamasair, the national air carrier. This aircraft has given good service although it was not built for military purposes.

TRAINING

The numerical strength of the Royal Bahamas Defence Force stands as of February 1986 at 50 officers and four-hundred and eighty marines. Officers have been trained at the Royal Navy College, Dartmouth, England. All seamanship and advancement training is undertaken at Coral Harbour, New Providence, Bahamas where the Defence Force base is located.

The Government of The Bahamas acknowledges its deep gratitude and appreciation for the technical training which has been afforded some of the staff from The Bahamas Defence Force by United States agencies in recent times.

During 1985, twenty-three RBDF personnel (Able-Seaman to Lieutenant) benefitted from thirteen courses offered by the U.S. Government.

To date twenty RBDF personnel have been nominated to attend twelve courses during 1986 and there are five more nominations to be submitted when the dates of the courses in the fall of 1986 are known.

Mention must be made of the courses conducted under the International Military Education and Training Programs which were attended by radio technicians, electricians and mechanics. As a direct benefit of these studies, the Defence Force attributed the ability of its ship to make longer voyages as defects could now be attended to at sea instead of making the time-wasting trips to the base on New Providence for repairs.

At Governor's Island, New York our personnel were taught the essentials of search and rescue operations to aid them in approaching other vessels at sea.

As far as drug interdictions are concerned, the seamen received invaluable exposure as exchange personnel on board U.S. Coast Guard boats and were able to study methods of interdicting persons engaged in drug trade.

Undoubtedly, this exposure has had the cumulative effect of instilling the much-needed confidence in the seamen in their confrontations with drug traffickers during their assignments at sea. These bilateral arrangements between the U.S. and The Bahamas are important examples of the strides which can be made towards the eradication of the common enemy of the drug trade which is being faced by both our countries in this period of our history. Our combined efforts can further carry the message to drug dealers that their activities in these parts will be closely monitored, and that swift action will be taken on our part to bring them to justice.

OPERATIONS

The drug smugglers have numerous routes and methods of operation. The Defence Force deploys its craft in areas where they have intelligence reports that smugglers will use, but on numerous occasions have been foiled in their attempts to make arrest as smugglers have used decoys to camoflage their presence elsewhere in the cays and island chain. The Defence Force has found that smugglers are well organized and are well-equipped with an abundance of funds and possess good communication and intelligence gathering networks.

The Defence Force, which is a relatively young agency collaborates closely with other Bahamian law enforcement agencies, namely Customs, Police, Immigration and the Department of Fisheries. It also works closely with the U.S. Coast Guard with whom it presently enjoys excellent relations. The experience and expertise of the officers and marines develop daily as they undertake patrol duties. Although some impact has been made on the drug operation, the sophistication of the drug smugglers have been noticed in their modus operandi as is evidenced by the change of primary means of transportation from sea to air.

In April 1985, drug interdiction in the South Florida/Bahamas area took a giant leap forward with the first joint U.S.-Bahamian enforcement operation. Initially dubbed "Blue Lightning" the Operation originated in a February meeting between Vice-President George Bush and Bahamian Minister of National Security, A. Loftus Roker, and Foreign Affairs Minister, Clement T. Maynard. Coordinated by the National Narcotics Border Interdiction System, Blue Lightning netted 62000 pounds of marijuana and over 6300 pounds cocaine. The operation also established the groundwork for continued joint U.S.-Bahamian operations on a day-to-day basis.

Since April 1985 the U.S. and The Bahamas have quietly worked together to seize over 217,000 pounds of marijuana and nearly four metric tons of cocaine. The efforts have also resulted in the seizure of forty-seven vessels, eight aircrafts and six vehicles. Over 150 persons have been arrested.

The islands targeted in the "Blue Lightning" exercise were Exuma, Andros and Bimini. During the raids, U.S. Coast Guard vessels surrounded the islands while Bahamian forces boarded and searched the vessels. Drug Enforcement Agents and police carried out simultaneous searches in villages and remote island areas.

The effort required the combined forces of twenty-six agencies of both governments: over eighty-five law enforcement vessels: over thirty aircrafts: a half-dozen radar facilities and a total of more than 775 people.

On August 15, 1985 a similar type of operation called "Operation Thunderstorm" was initiated and was continued to September 8, 1985. A command post was set up at the U.S. Embassy's Drug Enforcement Agency. This command post was manned twenty-four hours continuously by the D.E.A., the Royal Bahamas Defence Force and the Police. As this was the second operation of its magnitude with U.S. involvement, all went quite smoothly and intelligence information was exchanged between the agencies. Seizures from the operation amounted to 87,200 pounds of marijuana, 750 kilos of cocaine, and 36 persons were arrested.

SERVEILLANCE EQUIPMENT - AEROSTAT BALLOON

In February of this year the Ministry of National Security issued a press statement on the success of the interdiction of the flow of dangerous drugs through the Commonwealth of The Bahamas as a direct result of the cooperative efforts of The Bahamas law enforcement agencies and the U.S. Drug Enforcement Administration.

The existence of the surveillance equipment in the northern Bahamas provides a screen for ships passing through that area and has proven to be a vital deterrent. What is required to block the entrance through The Bahamas to United States ports is another device in the southern Bahamas to curtail traffic coming from the south where countries are known to be exporting drugs. Moreover, because of the installation of the Aerostat in the northern Bahamas, drug traffickers have now shifted their routes to the southern Bahamas.

In order to cope more effectively, The Bahamas Government has decided to increase The Bahamas Police Strike Force capability in manpower, and transportation and communication equipment. The Bahamas government has reached an agreement with the U.S. Government for it to assist by providing air transportation (fixed wing aircrafts and helicopters) as well as some communication equipment to The Bahamas. A study team composed of Bahamaian and U.S. officials toured the southern Bahamas and identified a site on Exuma Island adjacent to the airport for the helicopter operations known as Operation Bat.

CONCLUSION

The Bahamas is fully committed to combating the scorge of the iilicit drug trade within and outside its borders. It is cognizant of the ruinous effects on the populations of both of our countries. The policy of the Ministry of National Security in this regard is to spare no effort to accelerate its capability for the apprehension of the surveyors of this illicit trade.

The Government of The Bahamas supports the efforts of the Drug Enforcement Administration in cutting off the flow of drugs to the southern United States and with its fullest cooperation to the continuing joint exercises, and for the exchange of intelligence information and personnel.

The size and sophistication of the drug operation requires that a united front be mounted in the war on drugs. We pledge the cooperation of Bahamian Law Enforcement Agencies towards this end, and look forward to receiving the further support of our neighbours in the United States of America.

STATEMENT BY

MICHAEL A. LYTLE
SPECIAL ASSISTANT TO THE CHANCELLOR FOR FEDERAL RELATIONS
THE TEXAS A&M UNIVERSITY SYSTEM

BEFORE THE

APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS

OF THE

UNITED STATES HOUSE OF REPRESENTATIVES
2ND SESSION, 99TH CONGRESS

MAY 5, 1986

SUBMISSION-FOR-THE-RECORD

MR. CHAIRMAN, I AM MICHAEL A. LYTLE, SPECIAL ASSISTANT TO THE CHANCELLOR FOR FEDERAL RELATIONS WITH THE TEXAS A&M UNIVERSITY SYSTEM. I AM PROVIDING THESE COMMENTS TO SUPPLY THE SUBCOMMITTEE WITH A CAPSULE IMPACT ANALYSIS FROM AN INSTITUTIONAL PERSPECTIVE. OUR SYSTEM COMPONENTS, MOST NOTABLY TEXAS A&M UNIVERSITY, PRAIRIE VIEW A&M UNIVERSITY, AND THE TEXAS AGRICULTURAL EXPERIMENT STATION, HAVE BEEN VISIBLE AND PREDOMINATE CONTRIBUTORS TO OUR COUNTRY'S OVERALL FOREIGN ASSISTANCE EFFORT, PARTICULARLY WITH RESPECT TO THE NEEDS OF INTERNATIONAL AGRICULTURAL DEVELOPMENT.

BY WAY OF BACKGROUND, THE FIRST INTERNATIONAL PROGRAM WAS INITIATED AT TEXAS A&M UNIVERSITY IN 1899. THIS CONSISTED OF THE ENROLLMENT OF SEVERAL STUDENTS FROM LATIN AMERICA AND THE EXCHANGE OF FACULTY. INTERNATIONAL STUDENTS HAVE BEEN PART OF OUR STUDENT BODY FOR AN EXTENDED PERIOD OF TIME, AND SINCE 1979, TEXAS A&M UNIVERSITY HAS SIGNED 21 MEMORANDA OF

UNDERSTANDING WITH COUNTERPART UNIVERSITIES THROUGHOUT THE WORLD.

THE FOCUS OF THIS BRIEF STATEMENT IS ON THE PERCEIVED IMPACTS OF SEVERE CUTS TO TITLE XII UNDER THE PROPOSED FY 1987 USAID BUDGET. THE FOLLOWING INFORMATION REPRESENTS A CURSORY LOOK AT THE IMPACT OF THE PROPOSED FUNDING CUTS TO THE US AGENCY OF INTERNATIONAL DEVELOPMENT ACCOUNT FOR AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION (SECTION 103), FROM WHICH ALL TITLE XII ACTIVITIES AT TEXAS A&M UNIVERSITY ARE FUNDED.

TEXAS A&M UNIVERSITY HAS A STRONG TRADITION OF SERVICE IN TITLE XII ACTIVITIES. THROUGH THE COLLEGE OF AGRICULTURE AT TEXAS A&M UNIVERSITY, WE ARE CURRENTLY INVOLVED IN THE FOLLOWING USAID-FUNDED PROJECTS:

-COLLABORATIVE RESEARCH SUPPORT PROGRAMS (CRSPS): THESE PROGRAMS ARE DESIGNED TO PROVIDE OPPORTUNITY TO CONTRIBUTE THE EXPERTISE OF UNIVERSITY SCIENTISTS TO

COLLABORATIVE RESEARCH WITH COLLEGES IN DEVELOPING COUNTRIES.

SORGHUM AND MILLET (INTSORMIL)
PEANUT
SMALL RUMINANT
SOIL MANAGEMENT (TROPSOILS)

-TECHNICAL ASSISTANCE PROJECTS:
BURMA MAIZE AND OILSEEDS PRODUCTION PROJECT
SOUTHERN SUDAN AGRICULTURAL DEVELOPMENT PROJECT
KENYA KIBOKO RANGE EXPANSION PROJECT
MALI FARMING SYSTEMS RESEARCH AND EXTENSION PROJECT
ASIA FUELWOODS PROJECT

-INSTITUTION BUILDING:
SRI LANKA AGRICULTURAL DEVELOPMENT PROGRAM

-OTHER
TECHNICAL SUPPORT TO USAID MISSION IN DOMINICAN REPUBLIC
NUMEROUS USAID-SUPPORTED PARTICIPANT TRAINEES

ACCORDING TO MY COLLEAGUE, DR. JOHN NORRIS, DIRECTOR OF THE OFFICE OF INTERNATIONAL COORDINATION AT TEXAS A&M UNIVERSITY, PROPOSED REDUCTIONS IN USAID SECTION 103 FUNDS WILL HAVE NEGATIVE IMPACTS ON THE CRSPS; AND WITH THE REDUCED FUNDING, THE TECHNICAL ASSISTANCE PROJECTS WILL BE FEWER IN NUMBER. DR. NORRIS IS OF THE OPINION THAT THE GREATEST LOSS FROM THESE REDUCTIONS WILL BE TO THE PEOPLE WHO DESPERATELY

NEED HELP---THOSE IN THE COUNTRIES OF THE THIRD WORLD. BY REDUCING THE AVAILABILITY OF EXPERTS DUE TO THE LACK OF FUNDS AND BY REDUCING THE NUMBER OF TRAINEES DUE TO THE LACK OF FUNDING, WE WILL OPEN DOORS A BIT WIDER FOR A SITUATION OF INCREASED DESPAIR IN FOOD SECURITY AND CLIMATE OF DISCONTENT THAT CONTRIBUTES TO LATENT INSURGENCY.

ALSO, ACCORDING TO DR. NORRIS, THESE REDUCTIONS WILL EVENTUALLY IMPACT THE JOINT MEMORANDA OF UNDERSTANDING PROGRAM SUPPORT GRANTS (PSG) CURRENTLY HELD WITH USAID AND PRAIRIE VIEW A&M UNIVERSITY (A HISTORICALLY BLACK INSTITUTION). THE PSG PROVIDES A BASIS FOR UNIVERSITIES TO UTILIZE THEIR COMPLEMENTARY STRENGTHS IN JOINTLY RESPONDING TO THE NEEDS OF DEVELOPING COUNTRIES IN THE AREAS OF FOOD, NUTRITION, AND AGRICULTURAL DEVELOPMENT. THE MAJOR PURPOSE IS TO SUPPORT AND STRENGTHEN EXISTING OR FORESEEABLE CONTRACT ACTIVITIES AND TO MOBILIZE CAMPUS RESOURCES IN SUPPORT OF USAID ACTIVITIES. THE

GREATER THE MAGNITUDE OF REDUCTION TO USAID FUNDING, THE FEWER USAID ACTIVITIES THERE WILL BE TO PROVIDE SUPPORT FOR!

THANK YOU FOR THIS OPPORTUNITY TO COMMENT.

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[1] Written testimony only.